

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2021

PREPARED BY:

FINANCE DEPARTMENT

KEVIN MCCANN
FINANCE DIRECTOR

MEMBER GFOA OF U.S. AND CANADA
PUBLISHED JUNE 8, 2022

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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June 8, 2022

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 annual comprehensive financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2021.

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, 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, 2021 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, 2021 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 14,275. 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 2.1 percent which represents an decrease from the previous year rate of 4.1 percent which stems from the recovery 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 55,300 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 2021 for 26 single family homes, five duplexes totaling 10 units, three townhouse buildings totaling 19 units, and one, four-unit apartment buildings totaling 4 units at a total value of \$16,972,700. The market value of all new and remodeled residential, commercial, and industrial permits in fiscal year 2021 was \$37,466,546. 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 2021 the outstanding balance was \$287,200. Complete payment of this interfund loan will be made in 2023.

New and Major Developments

- An 18,000 square foot addition to D&K Powder Coating
- Star Cycle Addition
- A 15,500 square foot addition to Pepsi
- A three story, 7,800 square foot commercial/residential infill project in the central business district
- Residential development consisting of 14 new townhome lots in the Pleasant View Cottages Addition and 13 new single-family lots in the Waters North No. 2 subdivision.

2021 Five-Year Capital Improvement Plan Projects

2021 Harrison Ave. Project - This project consists of 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. The project was financed using general obligation bonds and paid from special assessments and the property tax levy.

2021 Cliff Court. Project - This project consists of 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. 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 consists of 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 \$3,400,000 at Caswell Park; artificial turf and lighting at a cost of \$1,800,000 at Caswell North; and Caswell Indoor Rec design at a cost of \$700,000; for a total of \$5,900,000. The Caswell Park and Caswell Indoor Rec design will be completed in 2022. The project will be financed using State bonding dollars and the balance using general obligation sales tax bonds.

2022 Lor Ray Dr. Project - This project is in the early design phase in 2021 for the complete construction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Lor Ray Dr. Ave. from approximately 350 north of White Oak Dr. to Somerset Lane at a cost of \$4,249,000 in the summer of 2022. The project will be financed using American Rescue Plan Act Funds, Local Road Improvement Funds, Municipal State Aid, and general obligation bonds. The general obligation bonds will be paid from special assessments and the property tax levy.

2022 McKinley Ave. Project - This project is in the early design phase in 2021 for the complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along McKinley Ave. from Range St. to Sherman St. at a cost of \$1,743,700 in the summer of 2022. The project will be financed using general obligation bonds and paid from special assessments and the property tax levy.

2022 Caswell Park Phase 2 Improvements - This project consists of the construction of the Caswell Indoor Rec Facility. The project consists of a 85,000-115,000 square foot building with 4-6 tennis courts and 6-8 basketball courts (depending on the base project and added alternates), viewing areas, concessions, restrooms, office space, and storage at a cost of \$15,900,000 to \$20,335,000, depending on added alternates. The project is dependent on a State Bonding Appropriation for \$8,500,000 in 2022. The projected is estimated to be completed in 2023. The project will be financed using the State Bonding Appropriation, existing sales tax bond proceeds and the balance using general obligation tax abatement 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 annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2020. This was the thirty-fourth (34th) 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 ACFR. 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 ACFR 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,



Mike Fischer
Interim City Administrator



Kevin McCann
Finance Director

City of North Mankato, Minnesota
Principal City Officials
For the Year Ended December 31, 2021

MAYOR: *Mark Dehen*

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

INTERIM CITY ADMINISTRATOR: *Michael Fischer*

FINANCE DIRECTOR: *Kevin McCann*

CITY CLERK: *April Van Genderen*

POLICE CHIEF: *Ross Gullickson*

FIRE CHIEF: *James Zwaschka*

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, LLP*

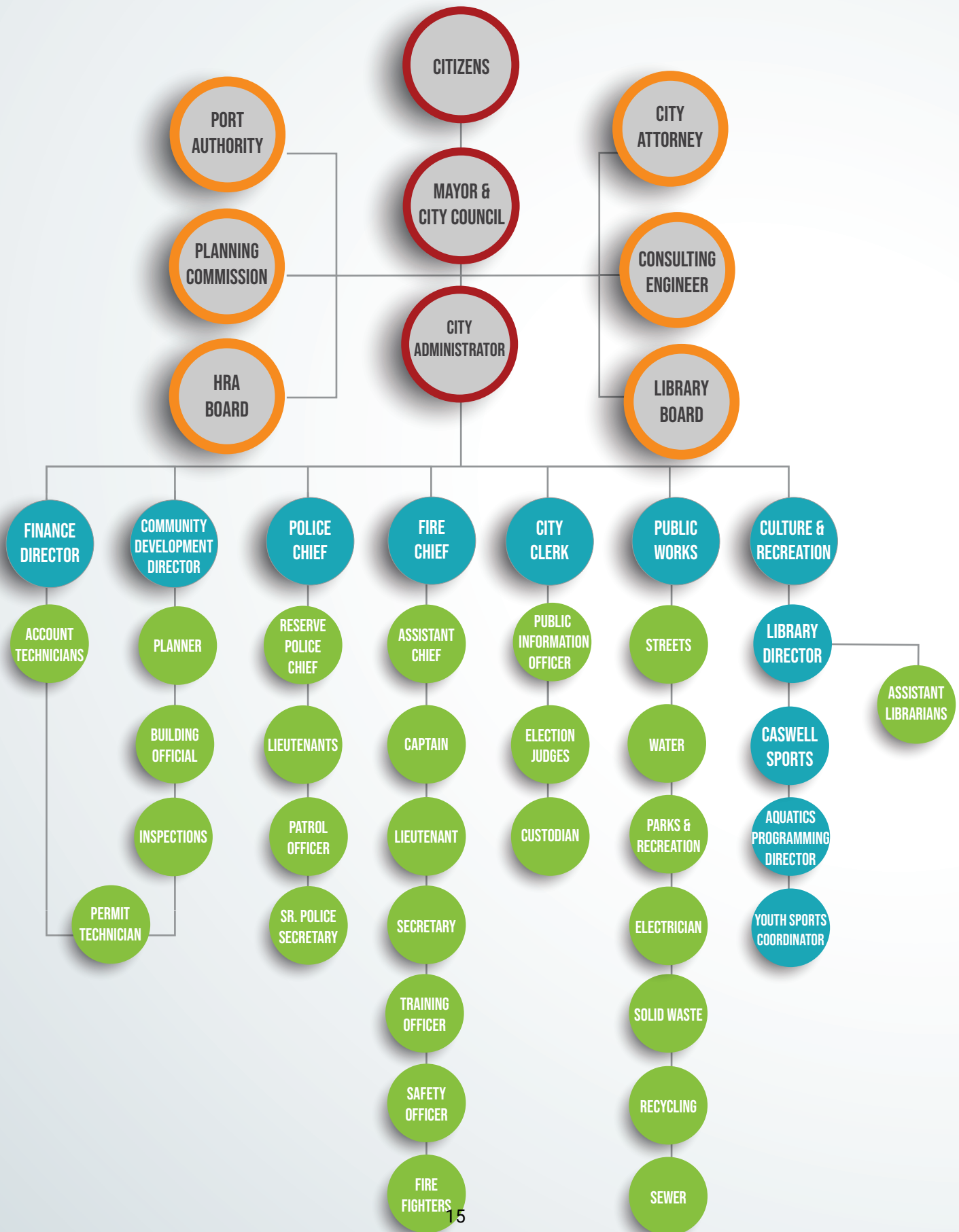
BOND COUNSEL: *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato

Report on the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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.



Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
June 8, 2022



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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, 2021. 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 \$70,247,773 (*net position*). Of this amount, a balance of \$4,470,818 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 \$3,918,360 as compared to an increase of \$2,631,856 in the previous year.
- Governmental activities revenues increased by \$709,694 due to the following:
 - Charges for service increased by \$478,854 mainly related to increases in building permit activity, Caswell Sports fees, and swim facility revenue,
 - Operating grants and contributions increased by \$160,234 due to Municipal State Aid for Streets,
 - Capital grants and contributions decreased by \$542,675 related mainly to the State and Federal funds received toward street projects and a large deferred assessment payment in 2020 compared to 2021
 - Property tax/tax increment revenue increased by \$334,591 due to an increase in the property tax collection and an increase in tax increment collections due to Blue Star Power Systems increments value increase in 2020,
 - Other taxes increased by \$181,039 mainly due to an increase in sales tax collections by \$112,722 and an increase of franchise taxes collections by \$3,157. and a decrease in hotel/motel taxes by \$10,238 and gambling tax by \$54,922,
 - Grants and contributions not restricted to specific programs increased by \$129,356 mainly due to increased Local Government Aid,
 - Unrestricted investment earnings decreased by \$43,479 due decreasing interest rates as a result of the COVID-19 pandemic,
 - Other increased by \$24,160 mainly related to increased water tower lease revenue and refunds and reimbursements.

- Gain on sale of capital assets decreased by \$12,386 due to a lack of any sales in 2021.
- Governmental activity expenses increased by \$534,037 due to the following:
 - General government expenses increased by \$16,742 related mainly to an increase in staffing and legal costs.
 - Public safety expenses decreased by \$117,830 due to decreased labor costs and reduced capital spending.
 - Public works expenses decreased by \$264,783 mainly due to decreased capital spending for the 2021 Cliff Court and Harrison Avenue project costs compared to the 2020 Monroe Avenue, Countryside Drive, and Dakota Meadows Safe Routes to School projects.
 - Culture and recreation expenses increased by \$737,546 due to capital spending toward the Caswell Park Phase 1 improvements.
 - Housing and economic development expenses increased by \$114,542 mainly due to increased TIF payments due to increased TIF collections.
 - Mass transit and other decreased by \$29,705 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 \$76,115 due to the issuance of new debt.
- Business-type activities revenues increased by \$1,064,498 mainly due to an increase in utility collections and the hotel lease revenue, an increase in grants related to FEMA, and a decrease in capital grants due to decreased activity in contributed capital from private development.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,087,972, an increase of \$10,186,040 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, and excess sales tax bond proceeds related to the future construction of the indoor recreational facility. 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 \$1,466,511.

Overview of the Financial Statements

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.

Figure 1
Required Components of the
City's Annual Financial Report

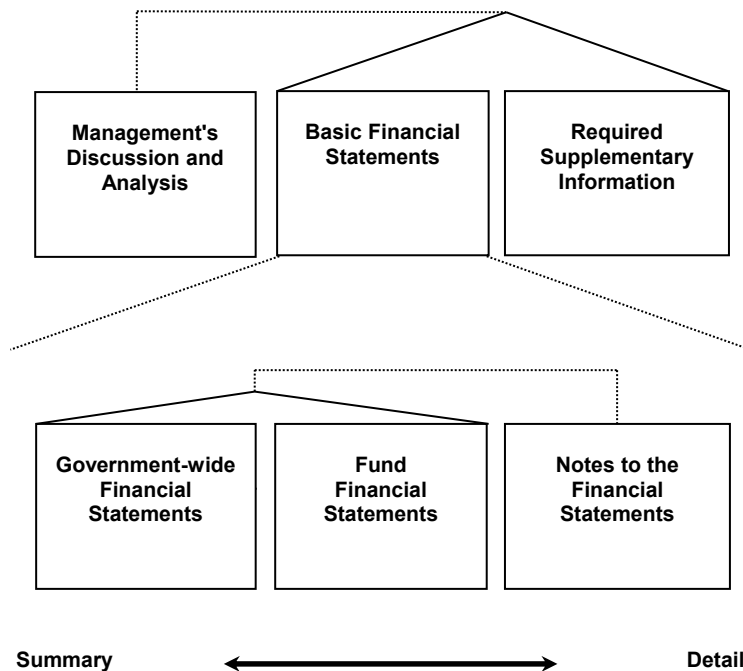


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital 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, hotel operations 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 39 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, the 2020 Construction fund and the Caswell Indoor Rec Project 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 44 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, hotel operations 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, solid waste operations and hotel fund, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 49 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 52 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 55 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 \$70,247,773 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (82.3 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Current and Other Assets	\$ 28,114,051	\$ 17,063,705	\$ 11,050,346	\$ 6,600,723	\$ 3,513,865	\$ 3,086,858
Net Capital Assets	53,435,235	52,162,310	1,272,925	33,512,779	29,905,407	3,607,372
Total Assets	81,549,286	69,226,015	12,323,271	40,113,502	33,419,272	6,694,230
Deferred Outflows of Resources	2,687,955	1,361,155	1,326,800	465,242	167,514	297,728
Long-term Liabilities						
Outstanding	33,938,486	25,003,221	8,935,265	11,027,468	7,488,347	3,539,121
Other Liabilities	2,344,204	1,035,373	1,308,831	704,199	193,456	510,743
Total Liabilities	36,282,690	26,038,594	10,244,096	11,731,667	7,681,803	4,049,864
Deferred Inflows of Resources	5,995,400	4,081,720	1,913,680	558,455	42,426	516,029
Net Position						
Net Investment in						
Capital Assets	33,122,612	32,611,813	510,799	24,686,987	23,882,997	803,990
Restricted	7,512,439	7,489,928	22,511	454,917	-	454,917
Unrestricted	1,324,100	365,115	958,985	3,146,718	1,979,560	1,167,158
Total Net Position	\$ 41,959,151	\$ 40,466,856	\$ 1,492,295	\$ 28,288,622	\$ 25,862,557	\$ 2,426,065

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* (6.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

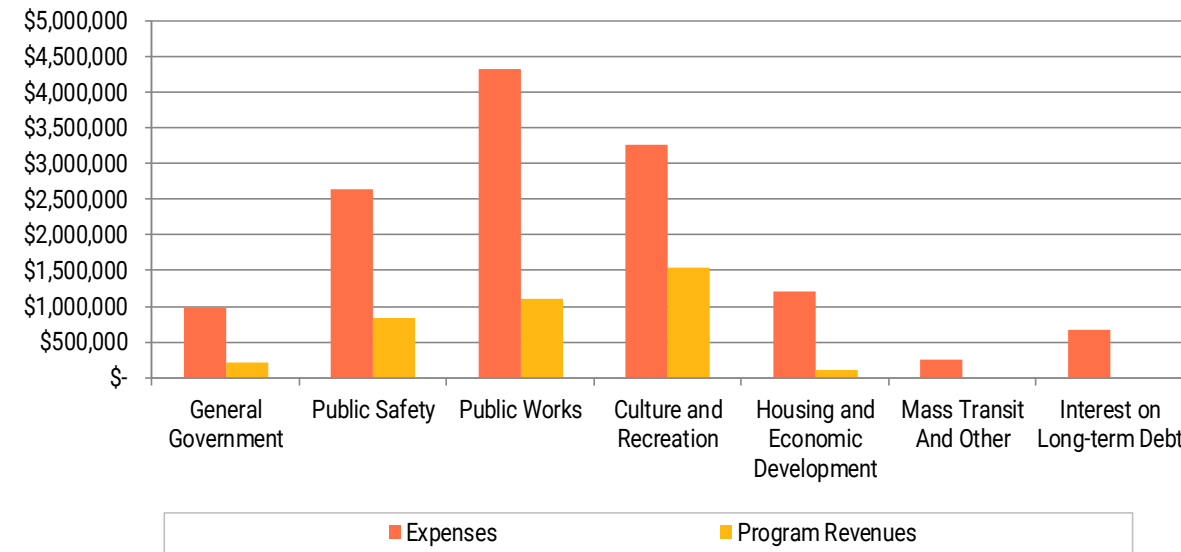
Governmental Activities. Governmental activities increased the City's net position by \$1,492,295, accounting for 38.1 percent of the total increase. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

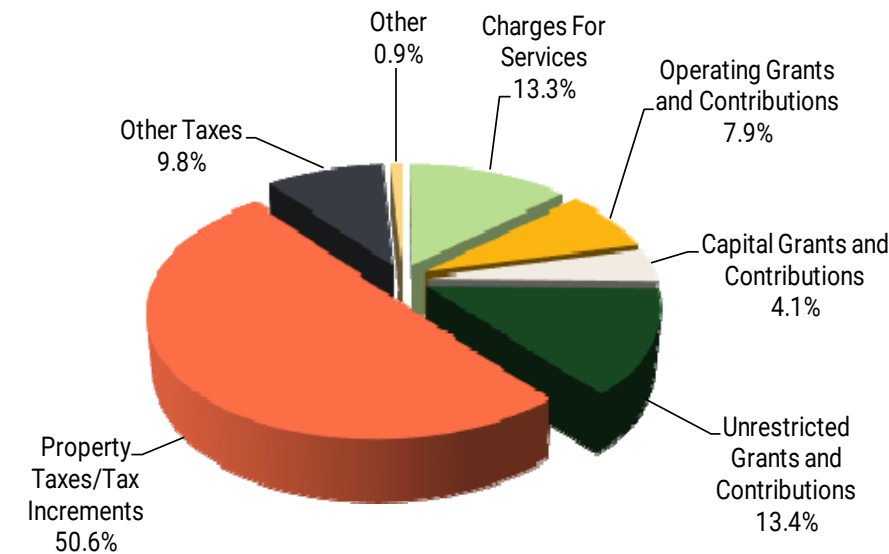
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,008,892	\$ 1,530,038	\$ 478,854	\$ 7,468,621	\$ 6,313,180	\$ 1,155,441
Operating grants and contributions	1,181,822	1,861,820	(679,998)	286,302	182,358	103,944
Capital grants and contributions	621,650	324,093	297,557	14,733	192,572	(177,839)
General Revenues						
Property taxes/tax increments	7,610,168	7,275,577	334,591	-	-	-
Other taxes	1,477,949	1,296,910	181,039	-	-	-
Grants and contributions not restricted to specific programs	2,018,122	1,888,766	129,356	-	-	-
Unrestricted investment earnings (loss)	(2,996)	40,483	(43,479)	(4,640)	12,258	(16,898)
Other	135,402	111,242	24,160	-	-	-
Gain on sale of capital assets	-	12,386	(12,386)	-	150	(150)
Total Revenues	15,051,009	14,341,315	709,694	7,765,016	6,700,518	1,064,498
Expenses						
General government	974,192	957,453	16,739	-	-	-
Public safety	2,640,635	2,758,465	(117,830)	-	-	-
Public works	4,313,776	4,578,559	(264,783)	-	-	-
Culture and recreation	3,264,363	2,526,817	737,546	-	-	-
Housing and economic development	1,202,013	1,087,471	114,542	-	-	-
Mass transit and other	252,167	281,872	(29,705)	-	-	-
Interest on long-term debt	663,373	585,845	77,528	-	-	-
Water	-	-	-	1,721,160	1,701,022	20,138
Sewer	-	-	-	2,125,600	2,280,816	(155,216)
Recycling	-	-	-	419,098	511,987	(92,889)
Storm water	-	-	-	321,705	384,147	(62,442)
Solid waste	-	-	-	756,689	755,523	1,166
Hotel	-	-	-	242,894	-	242,894
Total Expenses	13,310,519	12,776,482	534,037	5,587,146	5,633,495	(46,349)
Increase (Decrease) in Net Position						
Before Transfers and Contributions	1,740,490	1,564,833	175,657	2,177,870	1,067,023	1,110,847
Transfers	318,250	275,760	42,490	(318,250)	(275,760)	(42,490)
Capital Contributions	(566,445)	(966,569)	400,124	566,445	966,569	(400,124)
Change in Net Position	1,492,295	874,024	618,271	2,426,065	1,757,832	668,233
Net Position - January 1	40,466,856	39,592,832	874,024	25,862,557	24,104,725	1,757,832
Net Position - December 31	\$ 41,959,151	\$ 40,466,856	\$ 1,492,295	\$ 28,288,622	\$ 25,862,557	\$ 2,426,065

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

Expenses and Program Revenues - Governmental Activities



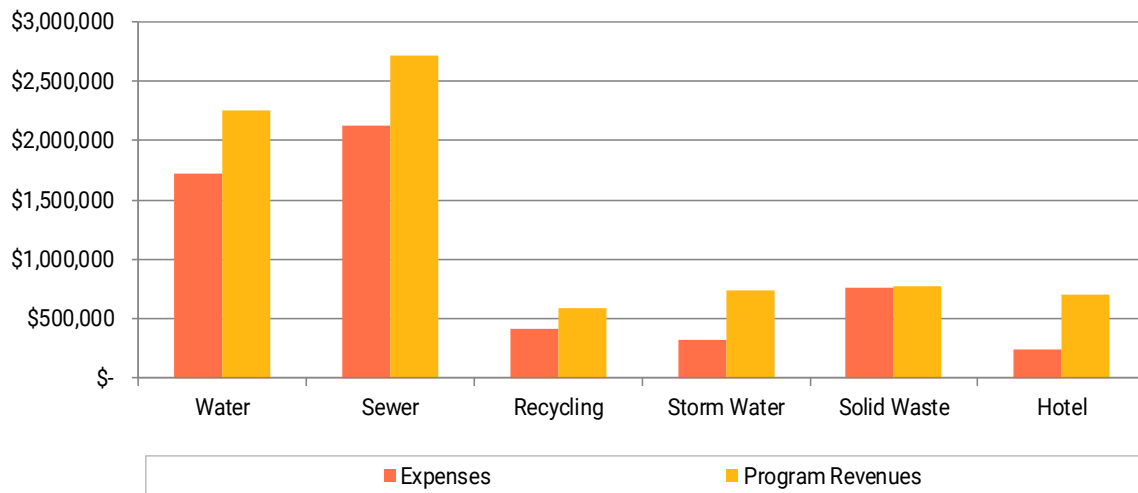
Revenues by Source - Governmental Activities



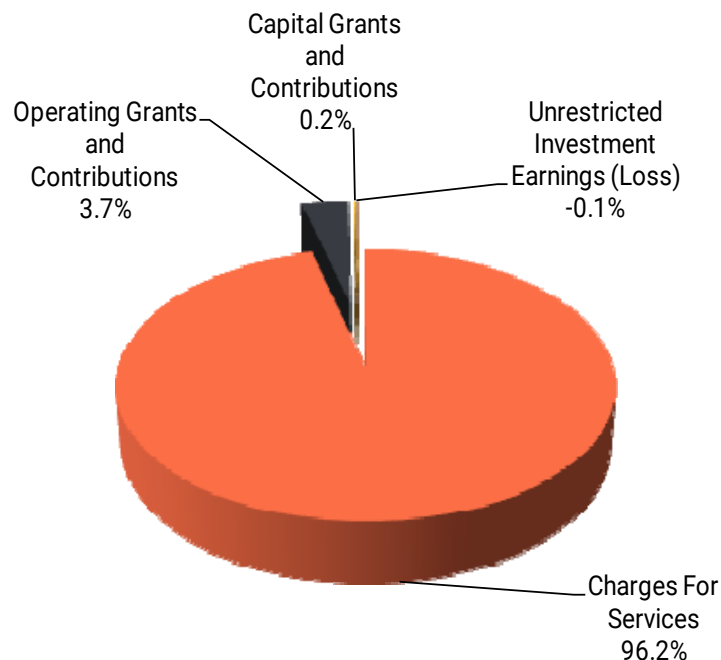
Business-type Activities. Business-type activities increased the City's net position by \$2,426,065. Key elements of this change are as follows:

- Total operating income was \$1,789,575, an increase of \$1,003,112 from the prior year, mainly due to an increase in operating revenues due to rate changes and leasing of the hotel to Hy Life Foods.
- Total nonoperating revenues exceeded nonoperating expenses by \$373,562, mostly consisting of revenue received for the leasing of the hotel to Hy Life Foods.
- Transfers out totaled \$466,857 and transfers in totaled \$148,604 for 2021.
- The remaining increase in net position was due to \$581,178 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 \$5,407,589, 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 52.6 percent of total General fund expenditures, while total fund balance represents 62.1 percent of that same amount.

The *General fund* balance increased by \$670,491 during the current year. Key factors of this increase are revenues decreased by \$638,318 when compared to 2020. Intergovernmental revenues accounted for \$821,875 of the decrease with the majority relating to Coronavirus Relief Aid, partially offset by increases in property taxes and building permit activity. Total current expenditures decreased by \$244,405 when compared to 2020. Culture and recreation expenditures decreased \$424,027 due to the swim facility operations moving into its own fund; along with increases in public safety spending related to increased labor costs.

The *Debt Service fund* has a total fund balance of \$1,707,176. There was a decrease of \$111,902 in the current year, mainly due to debt expenditures exceeding to other financing sources, including the issuance of new bonds.

The *Revolving MSA fund* has a total fund balance of deficit of \$2,325,122. There was an increase of \$288,033 resulting from currently available project funding and advanced MSA dollars exceeding transfers.

The *2020 Construction fund* has a total fund balance of \$47,360. There was a decrease of \$751,531 resulting from transfers of committed dollars and the spend down of unspent bond proceeds.

The *Caswell Indoor Rec Project fund* has a total fund balance of \$6,807,078 which relates to unspent bond proceeds less preliminary design and capital costs incurred during the year.

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 \$3,146,718. The total increase in net position in the current year for these funds totaled \$2,426,065. The increase is mainly due to an increase in charges for services in the amount of \$1,060,996 due mainly to utility rate increases and leasing of the hotel to Hy Life Foods.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$444,425 due to various revenue recognition and expenditures were over budget by \$24,957 mainly attributable to the timing of capital project costs. Other financing sources (uses) had a positive variance of \$152,251. The net result was an increase to the General fund balance of \$670,491.

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, 2021 amounts to \$86,948,014 (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 5.9 percent.

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

- Buildings, land, and improvement totaling \$8,629,276 related to the Commerce Dr. Project, Dakota Meadows Safe Routes to School Project, the Jefferson Ave. Street and Utility Project, the Tyler Ave. Street and Utility Project, the Monroe Ave. Street and Utility Project, the North Port Utility Extension Project, and purchase of the hotel, a restroom.
- Equipment and vehicle purchases totaling \$772,651, including, but not limited to: a new squad car, new mower, a new seeder, a new loader, a new dump box for an existing plow truck, SCADA system, playground equipment, and park signs markers. Disposals during the year totaled \$150,255.
- Improvements totaling \$4,193,703 were added to construction in progress for various projects including, but not limited to: the Carol Court lift station, the Caswell Softball Complex Improvement Project, the Belgrade Ave. Improvement Project, the Harrison Ave. Street and Utility Project, the Cliff Court Street and Utility Project, and the Caswell North Soccer Complex Improvements. The Commerce Dr. Project, Dakota Meadows Safe Routes to School Project, the Jefferson Ave. Street and Utility Project, the Tyler Ave. Street and Utility Project, the Monroe Ave. Street and Utility Project, the North Port Utility Extension Project were completed in 2021.

Additional information on the City's capital assets can be found in Note 3C starting on page 68 of this report.

City of North Mankato's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2021	Restated 2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 4,930,734	\$ 4,930,734	\$ -	\$ 975,161	\$ 606,061	\$ 369,100
Buildings and Improvements	40,290,269	36,106,581	4,183,688	28,767,588	24,456,203	4,311,385
Machinery and Equipment	2,587,354	2,436,779	150,575	1,052,934	898,252	154,682
Construction in Progress	5,626,878	8,688,216	(3,061,338)	2,717,096	3,944,891	(1,227,795)
Total	<u>\$ 53,435,235</u>	<u>\$ 52,162,310</u>	<u>\$ 1,272,925</u>	<u>\$ 33,512,779</u>	<u>\$ 29,905,407</u>	<u>\$ 3,607,372</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$39,235,340. Of this amount, \$11,865,000 comprises debt backed by the full faith and credit of the City and \$1,150,000 is tax increment bonds and \$11,150,000 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 \$15,070,340.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 7,365,000	\$ 7,985,000	\$ (620,000)	\$ 4,500,000	\$ -	\$ 4,500,000
G.O. Tax Increment Bonds	1,150,000	835,000	315,000	-	-	-
G.O. Improvement Bonds	10,755,000	10,380,000	375,000	395,000	485,000	(90,000)
General Obligation Revenue Bonds	10,030,000	1,135,000	8,895,000	5,040,340	5,733,300	(692,960)
Total	<u>\$ 29,300,000</u>	<u>\$ 20,335,000</u>	<u>\$ 8,965,000</u>	<u>\$ 9,935,340</u>	<u>\$ 6,218,300</u>	<u>\$ 3,717,040</u>

The City's total debt increased by \$12,682,040 (47.8 percent) during the current fiscal year, consisting of new debt issuances of \$18,215,000 and retirement of long-term debt of \$5,532,960. The City maintained an "AA" rating from Standard and Poor's for their 2021 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 \$31,098,537, 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 72 of this report.

Economic Factors and Next Year's Budgets and Rates

- Due to the recovery from the COVID-19 Pandemic, the 2021 unemployment rate for the City was 2.1 percent, which is a decrease from a rate of 4.1 percent a year ago. This compares favorably to the State's average unemployment rate of 3.0 percent and the national average rate of 3.9 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2021 for taxes payable in 2021 by \$616,143, or 4.5 percent. Market value of property has increased an average of 6.4 percent per year for the past 5 years.

All of these factors were considered in preparing the City's budget for the 2022 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of North Mankato, Minnesota
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 21,096,973	\$ 5,584,452	\$ 26,681,425
Receivables			
Taxes	86,431	-	86,431
Accounts	123,630	501,262	624,892
Notes, mortgages and leases	693,306	-	693,306
Special assessments	2,910,422	168,338	3,078,760
Intergovernmental	1,406,937	103,922	1,510,859
Internal balances	(157,200)	157,200	-
Inventories	-	73,845	73,845
Prepaid items	65,913	11,704	77,617
Land held for resale	1,096,305	-	1,096,305
Net pension asset	791,334	-	791,334
Capital assets			
Nondepreciable assets	10,557,612	3,692,257	14,249,869
Depreciable assets net of accumulated depreciation	42,877,623	29,820,522	72,698,145
Total Assets	<u>81,549,286</u>	<u>40,113,502</u>	<u>121,662,788</u>
Deferred Outflows of Resources			
Deferred pension resources	2,493,314	393,566	2,886,880
Deferred other postemployment benefit resources	194,641	71,676	266,317
Total Deferred Outflows of Resources	<u>2,687,955</u>	<u>465,242</u>	<u>3,153,197</u>
Liabilities			
Accounts payable	910,838	130,152	1,040,990
Contracts payable	215,234	37,168	252,402
Due to other governments	157,732	23,135	180,867
Accrued interest payable	176,434	33,455	209,889
Accrued wages payable	118,357	20,289	138,646
Unearned revenue	765,609	460,000	1,225,609
Noncurrent liabilities			
Due within one year			
Long-term liabilities	2,314,586	740,487	3,055,073
Due in more than one year			
Long-term liabilities	29,166,064	9,553,907	38,719,971
Net pension liability	1,918,237	534,369	2,452,606
Other postemployment benefits liability	539,599	198,705	738,304
Total Liabilities	<u>36,282,690</u>	<u>11,731,667</u>	<u>48,014,357</u>
Deferred Inflows of Resources			
Deferred pension resources	3,487,649	491,202	3,978,851
Deferred other postemployment benefit resources	182,632	67,253	249,885
Advance from other governments	2,325,122	-	2,325,122
Total Deferred Inflows of Resources	<u>5,995,403</u>	<u>558,455</u>	<u>6,553,858</u>
Net Position			
Net investment in capital assets	33,122,612	24,686,987	57,809,599
Restricted			
Debt service	4,017,031	-	4,017,031
Charitable gambling	102,949	-	102,949
Youth football	32,022	-	32,022
Splash pad project	150,000	-	150,000
Library programs	59,077	-	59,077
Park development	5,866	-	5,866
Park improvements	898,633	-	898,633
Economic development	2,138,465	-	2,138,465
Tax increment financing	108,396	-	108,396
Hotel improvements	-	454,917	454,917
Unrestricted	1,324,097	3,146,718	4,470,815
Total Net Position	<u>\$ 41,959,148</u>	<u>\$ 28,288,622</u>	<u>\$ 70,247,770</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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 974,195	\$ 200,543	\$ 5,652	\$ -
Public safety	2,640,635	541,838	281,307	10,000
Public works	4,313,776	29,879	738,410	346,650
Culture and recreation	3,264,363	1,129,036	151,258	265,000
Housing and economic development	1,202,013	107,596	5,195	-
Mass transit and other	252,167	-	-	-
Interest on long-term debt	663,373	-	-	-
Total Governmental Activities	<u>13,310,522</u>	<u>2,008,892</u>	<u>1,181,822</u>	<u>621,650</u>
Business-type Activities				
Water	1,721,160	2,240,331	7,205	7,642
Sewer	2,125,600	2,703,550	5,028	7,091
Recycling	419,098	586,614	1,004	-
Storm water	321,705	469,626	272,043	-
Solid waste	756,689	770,689	1,022	-
Hotel	242,894	697,811	-	-
Total Business-type Activities	<u>5,587,146</u>	<u>7,468,621</u>	<u>286,302</u>	<u>14,733</u>
Totals	<u>\$ 18,897,668</u>	<u>\$ 9,477,513</u>	<u>\$ 1,468,124</u>	<u>\$ 636,383</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 (loss)
 Other revenues

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
\$ (768,000)		\$ (768,000)
(1,807,490)		(1,807,490)
(3,198,837)		(3,198,837)
(1,719,069)		(1,719,069)
(1,089,222)		(1,089,222)
(252,167)		(252,167)
(663,373)		(663,373)
<u>(9,498,158)</u>		<u>(9,498,158)</u>
	\$ 534,018	534,018
	590,069	590,069
	168,520	168,520
	419,964	419,964
	15,022	15,022
	<u>454,917</u>	<u>454,917</u>
	<u>2,182,510</u>	<u>2,182,510</u>
<u>(9,498,158)</u>	<u>2,182,510</u>	<u>(7,315,648)</u>
5,347,332	-	5,347,332
1,690,166	-	1,690,166
572,670	-	572,670
809,926	-	809,926
24,818	-	24,818
126,535	-	126,535
516,670	-	516,670
2,018,122	-	2,018,122
(2,996)	(4,640)	(7,636)
135,402	-	135,402
318,250	(318,250)	-
(566,445)	566,445	-
<u>10,990,450</u>	<u>243,555</u>	<u>11,234,005</u>
1,492,292	2,426,065	3,918,357
<u>40,466,856</u>	<u>25,862,557</u>	<u>66,329,413</u>
<u>\$ 41,959,148</u>	<u>\$ 28,288,622</u>	<u>\$ 70,247,770</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, 2021

City of North Mankato, Minnesota

Balance Sheet
Governmental Funds
December 31, 2021

	General	Debt Service	Capital Projects			Other Governmental Funds	Total
			Revolving MSA	2020 Construction	Caswell Indoor Rec Project		
Assets							
Cash and temporary investments	\$ 5,099,187	\$ 1,746,700	\$ -	\$ 130,424	\$ 6,807,078	\$ 7,313,584	\$ 21,096,973
Receivables							
Taxes	86,431	-	-	-	-	-	86,431
Accounts	95,496	-	-	-	-	28,134	123,630
Notes, mortgages and leases	-	-	-	-	-	693,306	693,306
Special assessments	19,133	2,891,289	-	-	-	-	2,910,422
Intergovernmental	304,066	769,104	247,175	-	-	86,592	1,406,937
Advance from other funds	656,638	-	-	-	-	-	656,638
Due from other funds	303,040	247,175	-	-	-	-	550,215
Prepaid items	18,731	-	-	-	-	47,182	65,913
Land held for resale	-	-	-	-	-	1,096,305	1,096,305
Total Assets	\$ 6,582,722	\$ 5,654,268	\$ 247,175	\$ 130,424	\$ 6,807,078	\$ 9,265,103	\$ 28,686,770
Liabilities							
Accounts payable	\$ 151,495	\$ 23,603	\$ -	\$ 62,664	\$ -	\$ 673,076	\$ 910,838
Contracts payable	-	-	-	20,400	-	194,834	215,234
Advance to other funds	-	287,200	-	-	-	526,638	813,838
Due to other governments	44,953	-	-	-	-	112,779	157,732
Due to other funds	-	-	247,175	-	-	303,040	550,215
Accrued wages payable	116,144	-	-	-	-	2,213	118,357
Unearned revenue	756,977	-	-	-	-	8,632	765,609
Total Liabilities	1,069,569	310,803	247,175	83,064	-	1,821,212	3,531,823
Deferred Inflows of Resources							
Unavailable revenue							
Taxes	86,431	-	-	-	-	-	86,431
Special assessments	19,133	2,891,289	-	-	-	-	2,910,422
Intergovernmental	-	745,000	-	-	-	-	745,000
Advance from other governments	-	-	2,325,122	-	-	-	2,325,122
Total Deferred Inflows of Resources	105,564	3,636,289	2,325,122	-	-	-	6,066,975
Fund Balances							
Nonspendable	675,369	-	-	-	-	47,182	722,551
Restricted	150,000	1,707,176	-	47,360	6,807,078	5,736,466	14,448,080
Committed	-	-	-	-	-	2,450,830	2,450,830
Unassigned	4,582,220	-	(2,325,122)	-	-	(790,587)	1,466,511
Total Fund Balances	5,407,589	1,707,176	(2,325,122)	47,360	6,807,078	7,443,891	19,087,972
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,582,722	\$ 5,654,268	\$ 247,175	\$ 130,424	\$ 6,807,078	\$ 9,265,103	\$ 28,686,770

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

City of North Mankato, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2021

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

Total Fund Balances - Governmental Funds	\$ 19,087,972
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	53,435,235
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	791,334
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	(772,531)
Other postemployment benefits liability	(539,599)
Net pension liability	(1,918,237)
Bonds payable	(29,300,000)
Unamortized bond discounts, net of amortization	943
Unamortized bond premiums, net of amortization	(1,409,062)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	86,431
Special assessments receivable	2,910,422
Intergovernmental receivable	745,000
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	2,493,314
Deferred inflows of pension resources	(3,487,649)
Deferred outflows of other postemployment benefit resources	194,641
Deferred inflows of other postemployment benefit resources	(182,632)
Governmental funds do not report a liability for accrued interest until due and payable.	(176,434)
Total Net Position - Governmental Activities	<u>\$ 41,959,148</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, 2021

	General	Debt Service	Capital Projects			Other Governmental Funds	Total
			Revolving MSA	2020 Construction	Caswell Indoor Rec Project		
Revenues							
Taxes	\$ 5,897,295	\$ 1,690,166	\$ -	\$ -	\$ -	\$ 1,531,786	\$ 9,119,247
Special assessments	7,769	307,235	-	-	-	-	315,004
Licenses and permits	629,305	-	-	-	-	-	629,305
Intergovernmental	2,313,496	-	729,844	-	-	293,051	3,336,391
Charges for services	172,647	-	-	-	-	1,011,649	1,184,296
Fines and forfeits	18,253	-	-	-	-	-	18,253
Investment earnings (loss)	10,725	184	-	(11,153)	-	(2,752)	(2,996)
Miscellaneous	330,210	-	-	-	-	335,054	665,264
Total Revenues	<u>9,379,700</u>	<u>1,997,585</u>	<u>729,844</u>	<u>(11,153)</u>	<u>-</u>	<u>3,168,788</u>	<u>15,264,764</u>
Expenditures							
Current							
General government	885,049	-	-	-	-	26,400	911,449
Public safety	2,704,638	-	-	-	-	-	2,704,638
Public works	1,963,471	-	-	-	-	-	1,963,471
Culture and recreation	1,315,001	-	-	-	-	1,315,199	2,630,200
Housing and economic development	696,299	-	-	-	-	522,725	1,219,024
Mass transit and other	252,167	-	-	-	-	-	252,167
Capital outlay							
General government	29,327	-	-	-	-	-	29,327
Public safety	-	-	-	-	-	150,393	150,393
Public works	618,034	-	-	162,873	-	1,533,854	2,314,761
Culture and recreation	234,031	-	-	-	182,173	2,114,619	2,530,823
Housing and economic development	16,443	-	-	-	-	-	16,443
Debt service							
Principal	-	3,850,000	-	-	-	-	3,850,000
Interest and other costs	-	525,912	-	-	-	-	525,912
Bond issuance costs	-	23,174	-	-	101,766	73,883	198,823
Total Expenditures	<u>8,714,460</u>	<u>4,399,086</u>	<u>-</u>	<u>162,873</u>	<u>283,939</u>	<u>5,737,073</u>	<u>19,297,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>665,240</u>	<u>(2,401,501)</u>	<u>729,844</u>	<u>(174,026)</u>	<u>(283,939)</u>	<u>(2,568,285)</u>	<u>(4,032,667)</u>
Other Financing Sources (Uses)							
Transfers in	444,211	691,694	-	-	-	1,112,965	2,248,870
Bonds issued	-	1,460,000	-	-	6,600,000	4,755,000	12,815,000
Premium on bonds issued	-	177,905	-	-	491,017	416,535	1,085,457
Transfers out	(438,960)	(40,000)	(441,811)	(577,505)	-	(432,344)	(1,930,620)
Total Other Financing Sources (Uses)	<u>5,251</u>	<u>2,289,599</u>	<u>(441,811)</u>	<u>(577,505)</u>	<u>7,091,017</u>	<u>5,852,156</u>	<u>14,218,707</u>
Net Change in Fund Balances	670,491	(111,902)	288,033	(751,531)	6,807,078	3,283,871	10,186,040
Fund Balances, January 1	4,737,098	1,819,078	(2,613,155)	798,891	-	4,160,020	8,901,932
Fund Balances, December 31	<u>\$ 5,407,589</u>	<u>\$ 1,707,176</u>	<u>\$ (2,325,122)</u>	<u>\$ 47,360</u>	<u>\$ 6,807,078</u>	<u>\$ 7,443,891</u>	<u>\$ 19,087,972</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, 2021

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

Net Change in Fund Balances - Governmental Funds	\$ 10,186,040
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	4,564,316
Depreciation expense	(2,724,946)
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	(566,445)
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	3,850,000
Debt issued or incurred	(12,815,000)
Discount on bonds issued, net of amortization expense	(234)
Premium on bonds issued, net of amortization expense	(1,007,700)
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.	(16,161)
Long-term pension activity is not reported in governmental funds.	
Pension expense	350,394
Direct aid contributions	19,000
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	(32,900)
Special assessments	35,145
Intergovernmental revenues	(235,000)
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	(73,746)
Other postemployment benefits costs	(40,471)
Change in Net Position - Governmental Activities	<u>\$ 1,492,292</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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,814,238	\$ 5,814,238	\$ 5,897,295	\$ 83,057
Special assessments	12,200	12,200	7,769	(4,431)
Licenses and permits	491,645	491,645	629,305	137,660
Intergovernmental	2,344,911	2,344,911	2,313,496	(31,415)
Charges for services	158,252	158,252	172,647	14,395
Fines and forfeits	25,500	25,500	18,253	(7,247)
Investment earnings	40,500	40,500	10,725	(29,775)
Miscellaneous	48,029	48,029	330,210	282,181
Total Revenues	<u>8,935,275</u>	<u>8,935,275</u>	<u>9,379,700</u>	<u>444,425</u>
Expenditures				
Current				
General government	861,008	861,008	885,049	(24,041)
Public safety	2,542,446	2,542,446	2,704,638	(162,192)
Public works	2,093,070	2,093,070	1,963,471	129,599
Culture and recreation	1,358,666	1,358,666	1,315,001	43,665
Housing and economic development	659,363	659,363	696,299	(36,936)
Mass transit and other	304,750	304,750	252,167	52,583
Capital outlay				
General government	7,700	7,700	29,327	(21,627)
Public safety	1,000	1,000	-	1,000
Public works	590,000	590,000	618,034	(28,034)
Culture and recreation	246,500	246,500	234,031	12,469
Housing and economic development	25,000	25,000	16,443	8,557
Total Expenditures	<u>8,689,503</u>	<u>8,689,503</u>	<u>8,714,460</u>	<u>(24,957)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>245,772</u>	<u>245,772</u>	<u>665,240</u>	<u>419,468</u>
Other Financing Sources (Uses)				
Transfers in	261,750	261,750	444,211	182,461
Sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(413,750)	(413,750)	(438,960)	(25,210)
Total Other Financing Sources (Uses)	<u>(147,000)</u>	<u>(147,000)</u>	<u>5,251</u>	<u>152,251</u>
Net Change in Fund Balances	98,772	98,772	670,491	571,719
Fund Balances, January 1	<u>4,737,098</u>	<u>4,737,098</u>	<u>4,737,098</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,835,870</u>	<u>\$ 4,835,870</u>	<u>\$ 5,407,589</u>	<u>\$ 571,719</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, 2021

Business-type Activities - Enterprise Funds

	601	602	604	652	Other	
	Water Utility	Sewer Utility	Storm Water	Hotel	Enterprise Funds	Total
Assets						
Current Assets						
Cash and temporary investments	\$ 1,441,826	\$ 1,556,126	\$ 417,416	\$ 1,949,393	\$ 219,691	\$ 5,584,452
Receivables						
Accounts	484,893	-	4,281	-	12,088	501,262
Special assessments	2,902	-	-	-	-	2,902
Intergovernmental	252	103,670	-	-	-	103,922
Advance to other funds	108,300	35,300	-	-	-	143,600
Inventories	73,845	-	-	-	-	73,845
Prepaid items	2,799	2,741	1,955	-	4,209	11,704
Total Current Assets	2,114,817	1,697,837	423,652	1,949,393	235,988	6,421,687
Noncurrent Assets						
Special assessments receivable - noncurrent	23,230	142,206	-	-	-	165,436
Advance to other funds - noncurrent	108,300	35,300	-	-	-	143,600
Capital assets						
Land	392,411	53,000	-	369,100	160,650	975,161
Buildings	20,839,733	15,976,974	3,696,829	3,156,044	1,504,329	45,173,909
Machinery and equipment	806,535	1,100,353	23,644	-	821,823	2,752,355
Construction in progress	489,394	833,922	1,393,780	-	-	2,717,096
Less accumulated depreciation	(9,234,434)	(7,061,311)	(580,870)	-	(1,229,127)	(18,105,742)
Total Capital Assets	13,293,639	10,902,938	4,533,383	3,525,144	1,257,675	33,512,779
Total Noncurrent Assets	13,425,169	11,080,444	4,533,383	3,525,144	1,257,675	33,821,815
Total Assets	15,539,986	12,778,281	4,957,035	5,474,537	1,493,663	40,243,502
Deferred Outflows of Resources						
Deferred pension resources	188,750	134,937	27,007	-	42,872	393,566
Deferred other postemployment benefit resources	33,007	23,543	7,738	-	7,388	71,676
Total Deferred Outflows of Resources	221,757	158,480	34,745	-	50,260	465,242
Liabilities						
Current Liabilities						
Accounts payable	13,125	21,055	6,024	19,650	70,298	130,152
Contracts payable	-	-	37,168	-	-	37,168
Due to other governments	16,089	758	-	-	6,288	23,135
Accrued interest payable	9,521	6,875	6,311	6,281	4,467	33,455
Accrued wages payable	10,059	7,013	1,294	-	1,923	20,289
Unearned revenue	-	-	-	460,000	-	460,000
Advances from other funds - current	-	-	10,000	-	-	10,000
Compensated absences payable - current portion	34,637	13,927	4,644	-	8,139	61,347
Bonds payable - current portion	289,557	185,000	94,583	-	110,000	679,140
Total Current Liabilities	372,988	234,628	160,024	485,931	201,115	1,454,686
Noncurrent Liabilities						
Advances from other funds - noncurrent	-	-	120,000	-	-	120,000
Compensated absences payable, net of current portion	62,961	26,866	4,625	-	5,598	100,050
Bonds payable, net of current portion	2,565,882	1,203,595	746,948	4,533,689	403,743	9,453,857
Net pension liability	256,278	183,212	36,670	-	58,209	534,369
Other postemployment benefits liability	91,505	65,267	21,451	-	20,482	198,705
Total Noncurrent Liabilities	2,976,626	1,478,940	929,694	4,533,689	488,032	10,406,981
Total Liabilities	3,349,614	1,713,568	1,089,718	5,019,620	689,147	11,861,667
Deferred Inflows of Resources						
Deferred pension resources	235,575	168,412	33,707	-	53,508	491,202
Deferred other postemployment benefit resources	30,971	22,090	7,260	-	6,932	67,253
Total Deferred Inflows of Resources	266,546	190,502	40,967	-	60,440	558,455
Net Position						
Net investment in capital assets	10,438,200	9,813,003	3,691,852	-	743,932	24,686,987
Restricted	-	-	-	454,917	-	454,917
Unrestricted	1,707,383	1,219,688	169,243	-	50,404	3,146,718
Total Net Position	\$ 12,145,583	\$ 11,032,691	\$ 3,861,095	\$ 454,917	\$ 794,336	\$ 28,288,622

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

City of North Mankato, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds					
	601	602	604	652	Other	
	Water Utility	Sewer Utility	Storm Water	Hotel	Enterprise Funds	Total
Operating Revenues						
Charges for services	\$ 2,236,054	\$ 2,601,840	\$ 469,245	\$ -	\$ 1,247,525	\$ 6,554,664
Facility rental	-	-	-	187,500	61,371	248,871
Other	11,482	106,738	471	146,667	50,433	315,791
Total Operating Revenues	<u>2,247,536</u>	<u>2,708,578</u>	<u>469,716</u>	<u>334,167</u>	<u>1,359,329</u>	<u>7,119,326</u>
Operating Expenses						
Personal services	659,736	488,418	105,243	-	153,704	1,407,101
Supplies	150,957	59,297	4,417	4,245	2,259	221,175
Other services and charges	164,319	64,077	80,526	88,222	188,301	585,445
Contractual services	-	1,101,343	-	-	722,692	1,824,035
Insurance	11,164	24,569	-	-	2,833	38,566
Utilities	181,605	-	18,031	-	17,824	217,460
Depreciation	496,906	366,064	94,120	-	78,879	1,035,969
Total Operating Expenses	<u>1,664,687</u>	<u>2,103,768</u>	<u>302,337</u>	<u>92,467</u>	<u>1,166,492</u>	<u>5,329,751</u>
Operating Income	<u>582,849</u>	<u>604,810</u>	<u>167,379</u>	<u>241,700</u>	<u>192,837</u>	<u>1,789,575</u>
Nonoperating Revenues (Expenses)						
Intergovernmental	-	-	271,953	-	-	271,953
Investment income (loss)	(2,229)	(2,411)	-	-	-	(4,640)
Other income	-	-	-	363,644	-	363,644
Interest expense	(63,824)	(42,878)	(20,430)	(7,131)	(14,957)	(149,220)
Bond issuance costs	(2,102)	(16,392)	-	(143,296)	(2,522)	(164,312)
Amortization of bond premiums (discounts)	9,453	37,438	1,062	-	8,184	56,137
Total Nonoperating Revenues (Expenses)	<u>(58,702)</u>	<u>(24,243)</u>	<u>252,585</u>	<u>213,217</u>	<u>(9,295)</u>	<u>373,562</u>
Income Before Contributions and Transfers	524,147	580,567	419,964	454,917	183,542	2,163,137
Capital Contributions from Other Funds	200,575	179,766	186,104	-	-	566,445
Capital Grants and Contributions	7,642	7,091	-	-	-	14,733
Transfers In	-	-	65,000	-	83,607	148,607
Transfers Out	<u>(140,000)</u>	<u>(185,000)</u>	<u>(53,250)</u>	<u>-</u>	<u>(88,607)</u>	<u>(466,857)</u>
Change in Net Position	592,364	582,424	617,818	454,917	178,542	2,426,065
Net Position, January 1	<u>11,553,219</u>	<u>10,450,267</u>	<u>3,243,277</u>	<u>-</u>	<u>615,794</u>	<u>25,862,557</u>
Net Position, December 31	<u>\$ 12,145,583</u>	<u>\$ 11,032,691</u>	<u>\$ 3,861,095</u>	<u>\$ 454,917</u>	<u>\$ 794,336</u>	<u>\$ 28,288,622</u>

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

City of North Mankato, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds					Total
	601 Water Utility	602 Sewer Utility	604 Storm Water	652 Hotel	Other Enterprise Funds	
Cash Flows from Operating Activities						
Receipts from customers	\$ 2,236,674	\$ 2,516,796	\$ 469,155	\$ 606,667	\$ 1,243,675	\$ 7,072,967
Payments to suppliers and vendors	(505,546)	(1,236,483)	(101,403)	(72,817)	(936,324)	(2,852,573)
Payments to and on behalf of employees	(689,710)	(509,781)	(106,066)	-	(150,692)	(1,456,249)
Other receipts	11,482	106,738	471	551,144	110,715	780,550
Net Cash Provided by Operating Activities	1,052,900	877,270	262,157	1,084,994	267,374	3,544,695
Cash Flows from Noncapital Financing Activities						
Intergovernmental	-	-	271,953	-	-	271,953
Increase (decrease) in due to other funds	-	-	(10,000)	-	-	(10,000)
Transfers from other funds	-	-	65,000	-	83,607	148,607
Transfers to other funds	(140,000)	(185,000)	(53,250)	-	(88,607)	(466,857)
Net Cash Provided (Used) by Noncapital Financing Activities	(140,000)	(185,000)	273,703	-	(5,000)	(56,297)
Cash Flows from Capital Related Financing Activities						
Decrease in due from other funds	108,300	35,300	-	-	-	143,600
Acquisition of capital assets	(194,727)	(327,969)	(2,886)	(3,525,144)	(29,056)	(4,079,782)
Proceeds from bond issue, net discounts/premiums	101,792	793,392	-	4,533,689	122,151	5,551,024
Principal paid on revenue bonds payable	(385,877)	(952,500)	(94,583)	-	(250,000)	(1,682,960)
Interest paid on revenue bonds payable	(59,626)	(43,357)	(20,975)	(850)	(15,876)	(140,684)
Bond issuance costs paid on bonds	(2,102)	(16,392)	-	(143,296)	(2,522)	(164,312)
Payments received on assessments receivable	7,774	15,544	-	-	-	23,318
Net Cash Used by Capital and Related Financing Activities	(424,466)	(495,982)	(118,444)	864,399	(175,303)	(349,796)
Cash Flows from Investing Activities						
Interest received (paid) on cash and investments	(2,229)	(2,411)	-	-	-	(4,640)
Net Increase (Decrease) in Cash and Cash Equivalents	486,205	193,877	417,416	1,949,393	87,071	3,133,962
Cash and Cash Equivalents, January 1	955,621	1,362,249	-	-	132,620	2,450,490
Cash and Cash Equivalents, December 31	\$ 1,441,826	\$ 1,556,126	\$ 417,416	\$ 1,949,393	\$ 219,691	\$ 5,584,452
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 582,849	\$ 604,810	\$ 167,379	\$ 241,700	\$ 192,837	\$ 1,789,575
Adjustments to reconcile operating income to net cash provided by operating activities						
Other income related to operations	-	-	-	363,644	-	363,644
Depreciation	496,906	366,064	94,120	-	78,879	1,035,969
(Increase) decrease in assets						
Accounts receivable	1,014	2,210	-	-	(5,918)	(2,694)
Intergovernmental	236	(86,804)	-	-	1,122	(85,446)
Inventories	(1,096)	-	-	-	-	(1,096)
Prepaid items	(1,191)	(1,192)	(1,130)	-	(2,332)	(5,845)
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	(143,843)	(102,246)	(20,950)	-	(33,648)	(300,687)
Deferred other postemployment benefit resources	(919)	3,131	382	-	365	2,959
Increase (decrease) in liabilities						
Accounts payable	3,648	15,269	5,777	19,650	758	45,102
Due to other governments	1,138	(1,274)	(3,076)	-	(841)	(4,053)
Accrued wages payable	2,298	1,213	289	-	244	4,044
Compensated absences payable	3,218	16,100	921	-	4,455	24,694
Other postemployment benefits liability	(11,249)	(20,151)	(4,550)	-	(4,347)	(40,297)
Net pension liability	(126,452)	(95,398)	(14,953)	-	(20,400)	(257,203)
Unearned revenue	-	-	-	460,000	-	460,000
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	217,852	155,510	31,316	-	49,867	454,545
Deferred other postemployment benefit resources	28,491	20,028	6,632	-	6,333	61,484
Net Cash Provided by Operating Activities	\$ 1,052,900	\$ 877,270	\$ 262,157	\$ 1,084,994	\$ 267,374	\$ 3,544,695
Schedule of Noncash Capital and Related Financing Activities						
Capital assets contributed by other funds	\$ 200,575	\$ 179,766	\$ 186,104	\$ -	\$ -	\$ 566,445
Special assessments levied	\$ 7,097	\$ 32,248	\$ -	\$ -	\$ -	\$ 39,345
Amortization of bond (premium) discount	\$ (9,453)	\$ (37,438)	\$ (1,062)	\$ -	\$ (8,184)	\$ (56,137)

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

City of North Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 26,572</u>
Net Position	
Restricted	
Individuals, organizations, and other governments	<u><u>\$ 26,572</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, 2021

	<u>Custodial Funds</u>
Additions	
Refunds and reimbursements	\$ 24,000
Deductions	
Miscellaneous	<u>43,375</u>
Net Increase (Decrease) in Fiduciary Net Position	(19,375)
Net Position, January 1	<u>45,947</u>
Net Position, December 31	<u><u>\$ 26,572</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, 2021

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the 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.

The *Caswell Indoor Rec Project fund* accounts for the improvements to the Caswell indoor recreation sporting complex.

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.

The *Hotel fund* accounts for the costs associated with the improvements of the hotel by the City's port authority.

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2021

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, 2021 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 58 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, 2021:

- Mutual funds of \$26,867, municipal bonds of \$697,220 and U.S. government securities of \$1,990,547 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$1,328,642 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. 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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2021 is \$933,928. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

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, 2021. 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	\$ 52,590	\$ (77,319)	\$ 1,705	\$ 184,927	\$ 161,903

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 intergovernmental. 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. The City also has advances from other governments which are MSA dollars that are advanced on projects and earned in future years.

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has advances from other governments which are MSA dollars that are advanced on projects and earned in future years.

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.

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:

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City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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. Excess of Expenditures Over Appropriations

For the year ended December 31, 2021 expenditures exceeded appropriations for the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 8,689,503	\$ 8,714,460	\$ 24,957
Special Revenue			
Local Option Sales Tax	-	18,411	18,411

These over expenditures were funded by an excess of actual revenues over budget.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2021:

Fund	Amount
Major	
Capital Projects	
Revolving MSA	\$ 2,325,122
Nonmajor	
Special Revenue	
Marigold TIF #8	380,657
Capital Projects	
Caswell North	272,090
2022 Construction	107,685
2023 Construction	18,835
2025 Construction	11,069
Proprietary	
Solid Waste	57,950

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

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;

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

- 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 \$13,534,181, including \$26,522 reported in fiduciary funds and the bank balance was \$14,032,674. Of the bank balance, \$593,534 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.

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 585			
4M Fund	N/A	1 to 5 years	9,127,965			
Non-pooled Investments at Fair Value						
Mutual Funds	N/A	less than 1 year	26,867	\$ 26,867	\$ -	\$ -
Municipal Bonds	AA-AA3	1 to 5 years	697,220	697,220	-	-
U.S. Government Securities	N/A	1 to 5 years	1,990,547	1,990,547	-	-
Negotiable Certificates of Deposit	N/A	less than 1 year	702,205	-	702,205	-
Negotiable Certificates of Deposit	N/A	1 to 5 years	626,437	-	626,437	-
Total Investments			\$ 13,171,826	\$ 2,714,634	\$ 1,328,642	\$ -

(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	\$ 13,507,659	\$ 26,522	\$ 13,534,181
Investments	13,171,826	-	13,171,826
Cash on Hand	1,940	50	1,990
Total Cash and Temporary Investments	<u>\$ 26,681,425</u>	<u>\$ 26,572</u>	<u>\$ 26,707,997</u>

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, 2021 is \$645,461.

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, 2021 is \$47,845.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 4,930,734	\$ -	\$ -	\$ 4,930,734
Construction in progress	8,688,216	3,648,337	(6,709,675)	5,626,878
Total Capital Assets not Being Depreciated	<u>13,618,950</u>	<u>3,648,337</u>	<u>(6,709,675)</u>	<u>10,557,612</u>
Capital Assets Being Depreciated				
Buildings and improvements	78,879,742	6,562,448	-	85,442,190
Machinery, equipment and vehicles	7,879,930	496,761	(150,255)	8,226,436
Total Capital Assets Being Depreciated	<u>86,759,672</u>	<u>7,059,209</u>	<u>(150,255)</u>	<u>93,668,626</u>
Less Accumulated Depreciation for				
Buildings and improvements	(42,773,161)	(2,378,760)	-	(45,151,921)
Machinery, equipment and vehicles	(5,443,151)	(346,186)	150,255	(5,639,082)
Total Accumulated Depreciation	<u>(48,216,312)</u>	<u>(2,724,946)</u>	<u>150,255</u>	<u>(50,791,003)</u>
Total Capital Assets Being Depreciated, Net	<u>38,543,360</u>	<u>4,334,263</u>	<u>-</u>	<u>42,877,623</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,162,310</u>	<u>\$ 7,982,600</u>	<u>\$ (6,709,675)</u>	<u>\$ 53,435,235</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 606,061	\$ 369,100	\$ -	\$ 975,161
Construction in progress	3,944,891	545,365	(1,773,160)	2,717,096
Total Capital Assets not Being Depreciated	<u>4,550,952</u>	<u>914,465</u>	<u>(1,773,160)</u>	<u>3,692,257</u>
Capital Assets Being Depreciated				
Buildings and improvements	39,947,763	5,226,146	-	45,173,909
Machinery, equipment and vehicles	2,476,465	275,890	-	2,752,355
Total Capital Assets Being Depreciated	<u>42,424,228</u>	<u>5,502,036</u>	<u>-</u>	<u>47,926,264</u>
Less Accumulated Depreciation for				
Buildings and improvements	(15,491,560)	(914,761)	-	(16,406,321)
Machinery, equipment and vehicles	(1,578,213)	(121,208)	-	(1,699,421)
Total Accumulated Depreciation	<u>(17,069,773)</u>	<u>(1,035,969)</u>	<u>-</u>	<u>(18,105,742)</u>
Total Capital Assets Being Depreciated, Net	<u>25,354,455</u>	<u>4,466,067</u>	<u>-</u>	<u>29,820,522</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 29,905,407</u></u>	<u><u>\$ 5,380,532</u></u>	<u><u>\$ (1,773,160)</u></u>	<u><u>\$ 33,512,779</u></u>

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

Governmental Activities

General government	\$ 66,276
Public safety	170,697
Public works, including depreciation of general infrastructure assets	1,868,086
Culture and recreation	619,887
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,724,946</u></u>

Business-type Activities

Water utility	\$ 496,906
Sewer utility	366,064
Recycling	38,341
Storm water	94,120
Solid waste	40,538
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,035,969</u></u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2021. 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
Swim Facility	\$ 2,571,467	\$ 2,922
Tyler Ave	482,530	17,567
Commerce Drive	3,097,301	61,126
Countryside Drive	1,020,018	57,572
2020 State Aid Overlay	734,530	3,421
2021 Street & Utility Improvements (Cliff Ct. & Harrison Ave.)	888,858	59,190
Caswell North Improvements	721,054	37,950
Belgrade Alley Improvements	69,858	14,969
Caswell Park Improvements - Concession Stand	140,816	54,434
	<u>\$ 9,726,432</u>	<u>\$ 309,151</u>
Total	<u>\$ 9,726,432</u>	<u>\$ 309,151</u>

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.

D. Interfund Receivables, Payables and Transfers

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

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 303,040
Debt Service	Revolving MSA	247,175
		<u>\$ 550,215</u>
Total		<u>\$ 550,215</u>

The above balances are related to temporary deficit cash balances and timing of intergovernmental revenues.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Advances to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 526,638
	Storm Water enterprise	130,000
Water Utility enterprise	Debt Service	216,600
Sewer Utility enterprise	Debt Service	70,600
		<u>943,838</u>
Total		<u>\$ 943,838</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.

Interfund Transfers

The following transfers were made for the year ended December 31, 2021:

Fund	Transfer in					Total
	General	Debt Service	Nonmajor Governmental	Storm Water Enterprise	Nonmajor Proprietary	
Transfer out						
General	\$ -	\$ -	\$ 373,960	\$ 65,000	\$ -	\$ 438,960
Debt Service	-	-	-	-	40,000	40,000
Revolving MSA	182,461	259,350	-	-	-	441,811
2020 Construction	-	-	577,505	-	-	577,505
Nonmajor governmental	-	432,344	-	-	-	432,344
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	-	-	-	43,607	88,607
Total	<u>\$ 444,211</u>	<u>\$ 691,694</u>	<u>\$ 1,112,965</u>	<u>\$ 65,000</u>	<u>\$ 83,607</u>	<u>\$ 2,397,477</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 2021:

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

- \$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.
- \$182,461 to the General fund from the Revolving MSA fund for street maintenance.
- \$259,350 to the Debt Service fund from the Revolving MSA fund for bond payments.
- \$432,344 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.
- \$577,505 to the Caswell Softball Complex fund (nonmajor governmental fund) from the 2020 Construction fund for the City's matching portion of the capital project.

E. 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
Governmental					
G.O. Tax Abatement Bonds of 2015A	\$ 580,000	0.85 - 3.10 %	09/01/15	12/01/30	\$ 375,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	270,000
G.O. Tax Abatement Bonds of 2018A	4,200,000	3.00 - 3.375	12/20/18	02/01/34	3,760,000
G.O. Equipment Bonds of 2019A	265,000	2.00	10/30/19	02/01/29	240,000
G.O. Refunding Bonds 2020A	2,410,000	2.00	03/24/20	02/01/34	2,250,000
G.O. Refunding Bonds of 2021C	470,000	4.00	12/01/21	12/01/29	470,000
Total G.O. Bonds - Governmental					<u>7,365,000</u>
Business-type					
Taxable G.O. Bonds of 2021B	4,500,000	2.00 - 2.75	12/01/21	12/01/43	<u>4,500,000</u>
Total General Obligation Bonds					<u><u>\$ 11,865,000</u></u>

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31	General Obligation Bonds Governmental Activities			General Obligation Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 565,000	\$ 191,916	\$ 756,916	\$ -	\$ 66,521	\$ 66,521
2023	585,000	177,384	762,384	-	103,223	103,223
2024	600,000	162,059	762,059	185,000	101,373	286,373
2025	610,000	146,249	756,249	185,000	97,673	282,673
2026	620,000	130,014	750,014	190,000	93,923	283,923
2027 - 2031	2,820,000	407,895	3,227,895	1,010,000	410,310	1,420,310
2032 - 2036	1,565,000	67,147	1,632,147	1,125,000	300,463	1,425,463
2037 - 2041	-	-	-	1,255,000	157,821	1,412,821
2042 - 2043	-	-	-	550,000	15,195	565,195
Total	<u>\$ 7,365,000</u>	<u>\$ 1,282,664</u>	<u>\$ 8,647,664</u>	<u>\$ 4,500,000</u>	<u>\$ 1,346,502</u>	<u>\$ 5,846,502</u>

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	\$ 370,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	355,000
Taxable G.O. Tax Increment Revenue Bonds of 2021A	425,000	2.00 - 4.00	08/17/21	02/01/37	<u>425,000</u>
Total G.O. Tax Increment Bonds					<u>\$ 1,150,000</u>

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 110,000	\$ 45,259	\$ 155,259
2023	135,000	40,193	175,193
2024	150,000	33,478	183,478
2025	45,000	28,973	73,973
2026	50,000	26,916	76,916
2027 - 2031	290,000	98,157	388,157
2032 - 2036	325,000	33,551	358,551
2037	45,000	663	45,663
Total	<u>\$ 1,150,000</u>	<u>\$ 307,190</u>	<u>\$ 1,457,190</u>

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
Governmental					
G.O. Refunding Bonds of 2010C	\$ 3,455,000	0.75 - 3.15 %	12/30/10	02/01/22	\$ 270,000
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	745,000
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	700,000
G.O. Improvement Bonds of 2018A	470,000	3.00 - 3.375	12/20/18	02/01/34	425,000
G.O. Improvement Bonds of 2019A	1,530,000	2.00	10/30/19	02/01/34	1,330,000
G.O. Improvement Bonds of 2020B	3,400,000	1.00 - 2.00	09/08/20	02/01/36	3,400,000
G.O. Improvement Bonds of 2021A	1,780,000	2.00 - 4.00	08/17/21	02/01/37	1,780,000
G.O. Refunding Bonds of 2021C	990,000	4.00	12/01/21	12/01/27	990,000
Total G.O. Special Assessments Bonds - Governmental					<u>10,755,000</u>
Business-type					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	<u>395,000</u>
Total G.O. Special Assessments Bonds					<u>\$ 11,150,000</u>

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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
2022	\$ 1,115,000	\$ 240,443	\$ 1,355,443	\$ 95,000	\$ 8,803	\$ 103,803
2023	960,000	215,071	1,175,071	95,000	6,522	101,522
2024	1,015,000	190,521	1,205,521	100,000	4,085	104,085
2025	795,000	164,514	959,514	105,000	1,418	106,418
2026	825,000	142,676	967,676	-	-	-
2027 - 2031	3,490,000	407,674	3,897,674	-	-	-
2032 - 2036	2,410,000	105,127	2,515,127	-	-	-
2037	145,000	1,450	146,450	-	-	-
Total	<u>\$ 10,755,000</u>	<u>\$ 1,467,476</u>	<u>\$ 12,222,476</u>	<u>\$ 395,000</u>	<u>\$ 20,828</u>	<u>\$ 415,828</u>

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
Business-type					
G.O. Utility Revenue Bonds of 2009B	\$ 690,000	3.00 - 4.00 %	05/12/09	12/01/24	\$ 170,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	1,375,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	1,149,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	21,340
G.O. Bonds of 2016A	420,000	1.00 - 1.80	08/15/16	02/01/26	320,000
G.O. Bonds of 2019A	1,270,000	2.00	10/30/19	02/01/34	1,105,000
G.O. Refunding Bonds of 2021C	900,000	4.00	12/01/21	12/01/29	900,000
Total G.O. Revenue Bonds - Business-type					<u>5,040,340</u>
Governmental					
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	645,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	235,000
G.O. Sales Tax Revenue Bonds of 2021A	9,150,000	1.00 - 4.00	08/17/21	02/01/39	9,150,000
Total G.O. Revenue Bonds - Governmental					<u>10,030,000</u>
Total G.O. Revenue Bonds					<u>\$ 15,070,340</u>

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 260,000	\$ 262,907	\$ 522,907	\$ 584,140	\$ 114,516	\$ 698,656
2023	430,000	260,300	690,300	550,300	98,850	649,150
2024	485,000	242,500	727,500	561,300	85,084	646,384
2025	270,000	222,900	492,900	477,500	70,959	548,459
2026	270,000	210,900	480,900	488,500	59,909	548,409
2027 - 2031	2,225,000	827,850	3,052,850	1,778,900	133,675	1,912,575
2032 - 2036	3,425,000	442,950	3,867,950	599,700	14,617	614,317
2037 - 2039	2,665,000	82,650	2,747,650	-	-	-
Total	<u>\$ 10,030,000</u>	<u>\$ 2,552,957</u>	<u>\$ 12,582,957</u>	<u>\$ 5,040,340</u>	<u>\$ 577,610</u>	<u>\$ 5,617,950</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	\$ 2,247,536	\$ 2,708,578	\$ 587,618	\$ 469,716	\$ 771,711
Principal and Interest	355,503	293,857	100,930	115,558	56,946
Percent of Revenue	15.8%	10.8%	17.2%	24.6%	7.4%

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 7,985,000	\$ 470,000	\$ (1,090,000)	\$ 7,365,000	\$ 565,000
General obligation tax increment bonds	835,000	425,000	(110,000)	1,150,000	110,000
General obligation special assessment bonds	10,380,000	2,770,000	(2,395,000)	10,755,000	1,115,000
General obligation revenue bonds	1,135,000	9,150,000	(255,000)	10,030,000	260,000
Bond discounts	(1,177)	-	234	(943)	-
Bond premiums	401,362	1,085,457	(77,757)	1,409,062	-
Total Bonds Payable	20,735,185	13,900,457	(3,927,523)	30,708,119	2,050,000
Compensated Absences Payable	698,785	450,849	(377,103)	772,531	264,586
Governmental Activity Long-term Liabilities	<u>\$ 21,433,970</u>	<u>\$ 14,351,306</u>	<u>\$ (4,304,626)</u>	<u>\$ 31,480,650</u>	<u>\$ 2,314,586</u>
Business-type Activities					
Bonds Payable					
General obligation bonds	\$ -	\$ 4,500,000	\$ -	\$ 4,500,000	\$ -
General obligation revenue bonds	5,733,300	900,000	(1,592,960)	5,040,340	584,140
General obligation special assessment bonds	485,000	-	(90,000)	395,000	95,000
Bond discounts	(5,605)	-	1,457	(4,148)	-
Bond premiums	108,375	151,024	(57,594)	201,805	-
Total Bonds Payable	6,321,070	5,551,024	(1,739,097)	10,132,997	679,140
Compensated Absences Payable	136,703	105,689	(80,995)	161,397	61,347
Business-type Activity Long-term Liabilities	<u>\$ 6,457,773</u>	<u>\$ 5,656,713</u>	<u>\$ (1,820,092)</u>	<u>\$ 10,294,394</u>	<u>\$ 740,487</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Refunding Bond

On December 31, 2021, the City issued General Obligation Refunding Bonds, Series 2021C for \$2,360,000 to refund the maturities of the City's General Obligation Improvement Bonds, Series 2010A, General Obligation Tax Abatement Bonds, Series 2014A, General Obligation Improvement Bonds, Series 2014A and General Obligation Sanitary Equipment Bonds, Series 2014A. The savings information on the refunding bonds shows a gross savings of \$215,336 and a net present value of \$218,475.

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, 2021, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,084,069 at December 31, 2021.
- \$7,155,000 Housing Facilities Revenue Refunding Note 2014A, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$6,178,657 at December 31, 2021.
- \$4,630,600 Facilities Revenue Refunding Note, Series 2019 (VINE Project) with an outstanding balance of \$4,302,532 at December 31, 2021.
- \$5,750,000 Educational Facilities Revenue Note, Series 2019 (Bethany Lutheran College Project) with an outstanding balance of \$ 5,289,179 at December 31, 2021.
- \$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 \$4,288,244 at December 31, 2021.
- \$5,300,00 Education Facilities Revenue Note, Series 2019 (Bethany Lutheran College Project) with an outstanding balance of \$4,700,873 at December 31, 2021.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

F. Components of Fund Balance

At December 31, 2021, 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	Caswell Indoor Rec Project	Other Governmental Funds	Total
Nonspendable							
Advances to other funds	\$ 656,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656,638
Prepaid items	18,731	-	-	-	-	47,182	65,913
Total Nonspendable	\$ 675,369	\$ -	\$ -	\$ -	\$ -	\$ 47,182	\$ 722,551
Restricted							
Debt service	\$ -	\$ 1,707,176	\$ -	\$ -	\$ -	\$ -	\$ 1,707,176
Charitable gambling	-	-	-	-	-	102,949	102,949
Youth football	-	-	-	-	-	32,022	32,022
Library programs	-	-	-	-	-	59,077	59,077
Park development	-	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	-	2,138,465	2,138,465
Tax increment financing	-	-	-	-	-	108,396	108,396
Park improvements	-	-	-	-	-	898,633	898,633
Splash pad project	150,000	-	-	-	-	-	150,000
Capital improvements	-	-	-	47,360	6,807,078	2,391,058	9,245,496
Total Restricted	\$ 150,000	\$ 1,707,176	\$ -	\$ 47,360	\$ 6,807,078	\$ 5,736,466	\$ 14,448,080
Committed							
Caswell sports	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,506	\$ 102,506
Port authority	-	-	-	-	-	143,143	143,143
Economic development	-	-	-	-	-	1,155,677	1,155,677
Youth football	-	-	-	-	-	39,920	39,920
Capital improvements	-	-	-	-	-	1,009,584	1,009,584
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,450,830	\$ 2,450,830
Unassigned	\$ 4,582,220	\$ -	\$ (2,325,122)	\$ -	\$ -	\$ (790,587)	\$ 1,466,511

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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, 2021, 2020 and 2019 were \$213,385, \$213,955 and \$196,917, 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 members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$230,105, \$233,114 and \$204,392, 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, 2021, the City reported a liability of \$1,631,311 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 \$49,733. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0382 percent which was a 0.0006 percent increase from its proportion measured as of June 30, 2020.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

City's Proportionate Share of the Net Pension Liability	\$ 1,631,311
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>49,733</u>
Total	<u><u>\$ 1,681,044</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$48,577 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$4,013 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, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 9,366	\$ 49,832
Changes in Actuarial Assumptions	996,045	34,948
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,413,195
Changes in Proportion	76,925	1,556
Contributions Paid to PERA Subsequent to the Measurement Date	<u>119,136</u>	<u>-</u>
Total	<u><u>\$ 1,201,472</u></u>	<u><u>\$ 1,499,531</u></u>

The \$119,136 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (31,391)
2023	13,112
2024	(13,576)
2025	(385,340)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$821,295 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1064 percent which was a 0.0015 percent decrease from its proportion measured as of June 30, 2020.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of \$84,044 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$6,725 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in state aid. The City recognized \$9,576 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 160,393	\$ 13,665
Changes in Actuarial Assumptions	1,245,857	506,362
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,561,963
Changes in Proportion	60,378	121,463
Contributions Paid to PERA Subsequent to the Measurement Date	132,632	-
Total	<u>\$ 1,599,260</u>	<u>\$ 2,203,453</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

The \$132,632 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (581,790)
2023	(114,755)
2024	(114,079)
2025	(190,456)
2026	264,255

E. Actuarial Assumptions

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

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

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

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

Actuarial assumptions used in the June 30, 2021 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 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Stocks	16.5	5.30
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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 one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 3,327,042	\$ 1,631,311	\$ 239,860
Police and Fire Fund	2,607,474	821,295	(642,928)

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,705	\$ 1,705	5.00%	5.00%	5.00%

The City and council member's contributions to the DCP plan for the years ending December 31, 2021, 2020 and 2019 were \$1,705, \$1,300 and \$1,300, respectively.

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, 2021, the plan covered 34 active firefighters and 17 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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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 \$81,410 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2021, 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, 2021 were \$81,410. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of \$791,334 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2020. 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, 2020. 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, 2021	\$ 2,098,968	\$ 2,797,878	\$ (698,910)
Changes for the Year			
Service cost	66,164	-	66,164
Interest on pension liability (asset)	112,060	-	112,060
Plan changes	153,133	-	153,133
Projected investment return	-	147,582	(147,582)
Contributions (employer)	-	14,002	(14,002)
Nonemployer contributions	-	81,410	(81,410)
(Gain)/loss	(13,286)	175,173	(188,459)
Benefit payments	(61,325)	(61,325)	-
Administrative expenses	-	(7,672)	7,672
Total Net Changes	256,746	349,170	(92,424)
Ending Balance December 31, 2021	\$ 2,355,714	\$ 3,147,048	\$ (791,334)

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

For the year ended December 31, 2021 the City recognized pension expense of \$184,927.

At December 31, 2021 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	\$ -	\$ 14,464
Changes in Actuarial Assumptions	3,161	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	261,403
Contributions to Plan Subsequent to the Measurement Date	82,987	-
	<u>\$ 86,148</u>	<u>\$ 275,867</u>
Total		

Deferred outflows of resources totaling \$82,987 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, 2022. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ (81,855)
2023	(51,616)
2024	(101,548)
2025	(37,687)

E. Actuarial Assumptions

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

Retirement eligibility at 50 percent of age 50, 20 percent at ages 51-55, and 100 percent at age 56	
Discount Rate	5.25%
Inflation Rate	N/A
Investment Rate of Return	5.25%
20 Year Municipal Bond Yield	N/A

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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	62.0 %	7.1 %
Fixed Income	35.0	2.6
Cash and Equivalents	3.0	1.8
Total	100.0 %	

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	\$ (764,498)	\$ (791,334)	\$ (817,723)

H. 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 and is not administered through a trust or equivalent arrangement and thus there are no assets accumulated in a GASB-compliant trust.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Postemployment Benefits Other Than Pensions (Continued)

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	3
Active Plan Members	57
	<hr/>
Total Plan Members	60
	<hr/> <hr/>

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, 2021, the City's average contribution rate was 20.33 percent of covered-employee payroll. For fiscal year 2021, the City directly contributed \$0 to the Plan, while implicit contributions totaled \$35,289.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$738,304 was measured as of December 31, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.00%
20-Year Municipal Bond Yield	2.00%
Inflation Rate	2.00%
Salary Increases	N/A
Medical Trend Rate	6.5% in 2021 grading to 5.00% over 6 years

The discount rate used to measure the total OPEB liability was 2.00 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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general, safety) with MP-2020 Generational Improvement Scale.

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, 2021 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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2020	<u>\$ 923,296</u>
Changes for the Year	
Service cost	52,406
Interest	36,159
Differences between expected and actual experience	(270,733)
Changes in assumptions or other inputs	45,945
Benefit payments	(48,769)
Net Changes	<u>(184,992)</u>
Balances at December 31, 2021	<u><u>\$ 738,304</u></u>

Since the prior measurement date, the following assumption changes were made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Mortality Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates for non-safety personnel were updated.
- The inflation rate was changed from 2.50% to 2.00%.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

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

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 one percentage point lower (1.00 percent) or one percentage-point higher (3.00 percent) than the current discount rate:

1 Percent Decrease (1.0%)	Current (2.0%)	1 Percent Increase (3.0%)
\$ 787,949	\$ 738,304	\$ 691,297

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Postemployment Benefits Other Than Pensions (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is one percentage point lower (5.50 percent decreasing to 4.00 percent) or one 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%)
<u> </u>	<u> </u>	<u> </u>
\$ 670,383	\$ 738,304	\$ 815,927

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$64,618. At December 31, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes in Actuarial Assumptions	\$ 39,381	\$ 17,829
Net Difference Between Projected and Actual Earnings on Plan Investments	191,647	232,056
Contributions to OPEB Subsequent to the Measurement Date	<u>35,289</u>	<u>-</u>
Total	<u><u>\$ 266,317</u></u>	<u><u>\$ 249,885</u></u>

Amounts reported as deferred outflows of resources totaling \$35,289 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, 2022. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ 11,341
2023	11,341
2024	11,341
2025	11,344
2026	(32,113)
Thereafter	(32,111)

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 8: Other Information (Continued)

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.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2021 was \$1,955,972. This accounted for 20.9 percent of General fund revenues.

Note 9: Tax Increments

As of December 31, 2021, 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 (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.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 9: Tax Increments (Continued)

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.

Lost revenue as it relates to tax abatements for the year ended December 31, 2021 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 20 (Ziegler Caterpillar)	45.626%	74,148	\$ 33,831
TIF District 22 (Lindsay)	45.425%	17,748	8,062
TIF District 23 (D&K Powder Coating)	54.566%	54,008	29,470
TIF District 24 (Birchwood Cottages)	52.485%	31,989	16,789
TIF District 25 (Blue Star Power Systems)	52.485%	165,048	86,625
Total			<u>\$ 174,778</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, 2021

City of North Mankato, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

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
06/30/21	0.0382 %	\$ 1,631,311	\$ 49,733	\$ 1,681,044	\$ 2,748,448	59.4 %	87.0 %
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)
12/31/21	\$ 213,385	\$ 213,385	\$ -	\$ 2,845,129	7.5 %
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, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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.

City of North Mankato, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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.

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

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, 2021

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
06/30/21	0.1064 %	\$ 821,295	\$ 36,929	\$ 858,224	\$ 1,257,519	65.3 %	93.7 %
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)
12/31/21	\$ 230,105	\$ 230,105	\$ -	\$ 1,300,030	17.70 %
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, 2021

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

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

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

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, 2021

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

	2021 (Fire Relief Report Date 2021)	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	\$ 66,164	\$ 64,550	\$ 56,868	\$ 47,555	\$ 48,198	\$ 50,078	\$ 48,857
Interest	112,060	104,699	100,672	85,369	94,381	91,749	94,339
Changes of benefit terms	153,133	-	-	140,807	-	-	-
Changes of assumptions	-	-	6,326	-	21,736	-	-
(Gain)/loss	(13,286)	-	(7,673)	-	3,895	-	-
Benefit payments, including refunds of employee contributions	(61,325)	-	-	(9,610)	(125,259)	(173,764)	-
Net Change in Total Pension Liability	256,746	169,249	156,193	264,121	42,951	(31,937)	143,196
Total Pension Liability - January 1	2,098,968	1,929,719	1,773,526	1,509,405	1,466,454	1,498,391	1,355,195
Total Pension Liability - December 31	\$ 2,355,714	\$ 2,098,968	\$ 1,929,719	\$ 1,773,526	\$ 1,509,405	\$ 1,466,454	\$ 1,498,391
Plan Fiduciary Net Position							
Contributions - employer	\$ 14,002	\$ 13,852	\$ 13,964	\$ 6,907	\$ 13,610	\$ 85,133	\$ 79,141
Contributions - nonemployer	81,410	75,242	72,616	71,343	71,719	-	-
Net investment income (loss)	147,582	121,660	(120,029)	262,567	122,823	(5,880)	112,364
Gain or loss	175,173	318,148	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(61,325)	-	-	(9,610)	(125,259)	(173,764)	-
Administrative expense	(7,672)	(7,622)	(7,598)	(7,507)	(7,432)	(7,122)	(6,972)
Net Change in Plan Fiduciary Net Position	349,170	521,280	(41,047)	323,700	75,461	(101,633)	184,533
Plan Fiduciary Net Position - January 1	2,797,878	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)	\$ 3,147,048	\$ 2,797,878	\$ 2,276,598	\$ 2,317,645	\$ 1,993,945	\$ 1,918,484	\$ 2,020,117
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (791,334)	\$ (698,910)	\$ (346,879)	\$ (544,119)	\$ (484,540)	\$ (452,030)	\$ (521,726)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	133.59%	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	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	N/A

Notes to the Schedule:

Benefit changes. In 2021, the benefit level increased from \$3,500 to \$4,000. In 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.

Changes of assumptions. In 2019, the discount rate changed from 5.50% to 5.25%. In 2017, the long-term rate of return and discount rate both changed from 6.5 percent to 5.5 percent. In 2017, the increase rate on eligible deferred benefits changed from 4.0 percent to 5.0 percent. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuity Mortality Table for purposes of developing mortality rates.

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, 2021

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/21	\$ 81,410	\$ 95,412	\$ (14,002)
12/31/20	75,242	79,410	(4,168)
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

2021 - None.

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

2021 - The benefit level increased from \$3,500 to \$4,000

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, 2021

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 52,406	\$ 44,422	\$ 43,128	\$ 35,551
Interest	36,159	34,693	19,156	18,266
Differences between expected and actual experience	(270,733)	-	335,382	-
Changes in assumptions	45,945	-	(31,201)	-
Benefit payments	(48,769)	(48,296)	(22,505)	(46,129)
Net Change in Total OPEB Liability	(184,992)	30,819	343,960	7,688
 Total OPEB Liability - Beginning	 923,296	 892,477	 548,517	 540,829
 Total OPEB Liability - Ending	 <u>\$ 738,304</u>	 <u>\$ 923,296</u>	 <u>\$ 892,477</u>	 <u>\$ 548,517</u>
 Covered Employee Payroll	 \$ 3,631,432	 \$ 3,497,601	 \$ 3,395,729	 \$ 3,439,120
 City's Total OPEB Liability as a Percentage of Covered Employee Payroll	 20.33 %	 26.40 %	 26.28 %	 15.95 %

Notes to the Required Supplementary Information - OPEB

Changes in Actuarial Assumptions

2021 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Mortality Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. The retirement and withdrawal rates for non-safety personnel were updated. The inflation rate was changed from 2.50% to 2.00%. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.80% to 2.00%.

2020 - None.

2019 - The discount rate was changed from 3.30% to 3.80%.

2018 - The discount rate was changed from 3.50% to 3.30%.

Benefit Changes

2021 - None.

2020 - None.

2019 - None.

2018 - None.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of North Mankato, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Assets			
Cash and temporary investments	\$ 3,164,666	\$ 4,148,918	\$ 7,313,584
Receivables			
Accounts	28,134	-	28,134
Notes	693,306	-	693,306
Intergovernmental	86,592	-	86,592
Prepaid items	553	46,629	47,182
Land held for resale	1,096,305	-	1,096,305
Total Assets	\$ 5,069,556	\$ 4,195,547	\$ 9,265,103
Liabilities			
Accounts payable	\$ 12,995	\$ 660,081	\$ 673,076
Contracts payable	-	194,834	194,834
Due to other funds	-	303,040	303,040
Due to other governments	112,779	-	112,779
Accrued wages payable	2,213	-	2,213
Unearned revenue	8,632	-	8,632
Advance from other funds	526,638	-	526,638
Total Liabilities	663,257	1,157,955	1,821,212
Fund Balances			
Nonspendable	553	46,629	47,182
Restricted	3,345,408	2,391,058	5,736,466
Committed	1,441,246	1,009,584	2,450,830
Unassigned	(380,908)	(409,679)	(790,587)
Total Fund Balances	4,406,299	3,037,592	7,443,891
Total Liabilities and Fund Balances	\$ 5,069,556	\$ 4,195,547	\$ 9,265,103

City of North Mankato, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2021

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes			
Property taxes	\$ 75,000	\$ -	\$ 75,000
Sales taxes	808,264	-	808,264
Tax increments	572,670	-	572,670
Hotel taxes	24,818	-	24,818
Other taxes	51,034	-	51,034
Intergovernmental			
Federal	2,044	291,007	293,051
Charges for services			
Other	1,011,649	-	1,011,649
Investment earnings (loss)	3,325	(6,077)	(2,752)
Miscellaneous			
Contributions and donations	161,239	125,000	286,239
Other	48,815	-	48,815
Total Revenues	<u>2,758,858</u>	<u>409,930</u>	<u>3,168,788</u>
Expenditures			
Current			
General government	26,400	-	26,400
Culture and recreation			
Parks	577,159	-	577,159
Pool	505,844	-	505,844
Library	48,884	-	48,884
Other	183,312	-	183,312
Housing and economic development	522,725	-	522,725
Capital outlay			
Public safety	-	150,393	150,393
Public works	-	1,533,854	1,533,854
Culture and recreation	-	2,114,619	2,114,619
Debt service			
Bond issuance costs	-	73,883	73,883
Total Expenditures	<u>1,864,324</u>	<u>3,872,749</u>	<u>5,737,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>894,534</u>	<u>(3,462,819)</u>	<u>(2,568,285)</u>
Other Financing Sources (Uses)			
Transfers in	123,960	989,005	1,112,965
Bonds issued	-	4,755,000	4,755,000
Premium on debt issued	-	416,535	416,535
Transfers out	(432,344)	-	(432,344)
Total Other Financing Sources (Uses)	<u>(308,384)</u>	<u>6,160,540</u>	<u>5,852,156</u>
Net Change in Fund Balances	586,150	2,697,721	3,283,871
Fund Balances, January 1	<u>3,820,149</u>	<u>339,871</u>	<u>4,160,020</u>
Fund Balances, December 31	<u>\$ 4,406,299</u>	<u>\$ 3,037,592</u>	<u>\$ 7,443,891</u>

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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.

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

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NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

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, 2021

	201	202	203	213	215	221	224	228
	Caswell Sports	Youth Football	Swim Facility	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
Assets								
Cash and temporary investments	\$ 89,659	\$ 75,237	\$ 4,032	\$ 62,085	\$ 15,296	\$ 822,588	\$ 5,866	\$ 149,895
Receivables								
Accounts	15,199	-	441	-	-	-	-	-
Intergovernmental	10,547	-	-	-	-	76,045	-	-
Notes	-	-	-	-	-	-	-	-
Prepaid items	281	21	251	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-
Total Assets	\$ 115,686	\$ 75,258	\$ 4,724	\$ 62,085	\$ 15,296	\$ 898,633	\$ 5,866	\$ 149,895
Liabilities								
Accounts payable	\$ 1,505	\$ 2,077	\$ 4,058	\$ 3,008	\$ -	\$ -	\$ -	\$ 1,752
Advance from other funds	-	-	-	-	-	-	-	-
Due to other governments	1,767	-	666	-	-	-	-	5,000
Accrued wages payable	995	1,218	-	-	-	-	-	-
Unearned revenue	8,632	-	-	-	-	-	-	-
Total Liabilities	12,899	3,295	4,724	3,008	-	-	-	6,752
Fund Balances								
Nonspendable	281	21	251	-	-	-	-	-
Restricted	-	32,022	-	59,077	15,296	898,633	5,866	-
Committed	102,506	39,920	-	-	-	-	-	143,143
Unassigned	-	-	(251)	-	-	-	-	-
Total Fund Balances	102,787	71,963	-	59,077	15,296	898,633	5,866	143,143
Total Liabilities and Fund Balances	\$ 115,686	\$ 75,258	\$ 4,724	\$ 62,085	\$ 15,296	\$ 898,633	\$ 5,866	\$ 149,895

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
\$ 1,366,041	\$ 104,717	\$ 11,527	\$ 145,981	\$ 86,407	\$ 2,485
3,160	4,385	-	-	-	-
-	-	-	-	-	-
518,354	127,107	47,845	-	-	-
-	-	-	-	-	-
-	-	1,096,305	-	-	-
<u>\$ 1,887,555</u>	<u>\$ 236,209</u>	<u>\$ 1,155,677</u>	<u>\$ 145,981</u>	<u>\$ 86,407</u>	<u>\$ 2,485</u>
\$ 595	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	526,638	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
595	-	-	526,638	-	-
-	-	-	-	-	-
1,886,960	236,209	-	-	86,407	2,485
-	-	1,155,677	-	-	-
-	-	-	(380,657)	-	-
<u>1,886,960</u>	<u>236,209</u>	<u>1,155,677</u>	<u>(380,657)</u>	<u>86,407</u>	<u>2,485</u>
<u>\$ 1,887,555</u>	<u>\$ 236,209</u>	<u>\$ 1,155,677</u>	<u>\$ 145,981</u>	<u>\$ 86,407</u>	<u>\$ 2,485</u>

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City of North Mankato, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued)
December 31, 2021

	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	263 Blue Star Power Systems TIF #25	864 10% Gambling	Total
Assets								
Cash and temporary investments	\$ 83,848	\$ 19,504	\$ 21,498	\$ -	\$ -	\$ -	\$ 98,000	\$ 3,164,666
Receivables								
Accounts	-	-	-	-	-	-	4,949	28,134
Intergovernmental	-	-	-	-	-	-	-	86,592
Notes	-	-	-	-	-	-	-	693,306
Prepaid items	-	-	-	-	-	-	-	553
Land held for resale	-	-	-	-	-	-	-	1,096,305
Total Assets	<u>\$ 83,848</u>	<u>\$ 19,504</u>	<u>\$ 21,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,949</u>	<u>\$ 5,069,556</u>
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,995
Advance from other funds	-	-	-	-	-	-	-	526,638
Due to other governments	83,848	-	21,498	-	-	-	-	112,779
Accrued wages payable	-	-	-	-	-	-	-	2,213
Unearned revenue	-	-	-	-	-	-	-	8,632
Total Liabilities	<u>83,848</u>	<u>-</u>	<u>21,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>663,257</u>
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	553
Restricted	-	19,504	-	-	-	-	102,949	3,345,408
Committed	-	-	-	-	-	-	-	1,441,246
Unassigned	-	-	-	-	-	-	-	(380,908)
Total Fund Balances	<u>-</u>	<u>19,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,949</u>	<u>4,406,299</u>
Total Liabilities and Fund Balances	<u>\$ 83,848</u>	<u>\$ 19,504</u>	<u>\$ 21,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,949</u>	<u>\$ 5,069,556</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, 2021

	201	202	203	213	215	221	224	228
	Caswell Sports	Youth Football	Swim Facility	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
Revenues								
Taxes								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Sales taxes	-	-	-	-	-	808,264	-	-
Tax increments	-	-	-	-	-	-	-	-
Hotel taxes	24,818	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental								
Federal								
ARPA	1,050	777	217	-	-	-	-	-
Charges for services	468,721	39,050	467,603	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
Miscellaneous								
Contributions and donations	3,950	117,074	9,743	30,472	-	-	-	-
Other	8,058	114	3,071	199	-	-	-	9,727
Total Revenues	506,597	157,015	480,634	30,671	-	808,264	-	84,727
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Culture and recreation								
Parks	558,748	-	-	-	-	18,411	-	-
Pool	-	-	505,844	-	-	-	-	-
Library	-	-	-	48,884	-	-	-	-
Other	-	183,312	-	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-	-	58,867
Total Expenditures	558,748	183,312	505,844	48,884	-	18,411	-	58,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,151)	(26,297)	(25,210)	(18,213)	-	789,853	-	25,860
Other Financing Sources (Uses)								
Transfers in	77,000	-	25,210	21,750	-	-	-	-
Transfers out	-	-	-	-	-	(299,850)	-	(12,294)
Total Other Financing Sources (Uses)	77,000	-	25,210	21,750	-	(299,850)	-	(12,294)
Net Change in Fund Balances	24,849	(26,297)	-	3,537	-	490,003	-	13,566
Fund Balances, January 1	77,938	98,260	-	55,540	15,296	408,630	5,866	129,577
Fund Balances, December 31	\$ 102,787	\$ 71,963	\$ -	\$ 59,077	\$ 15,296	\$ 898,633	\$ 5,866	\$ 143,143

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	77,536	26,522	6,916
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	36,275	-	-	-
3,325	-	-	-	-	-
-	-	-	-	-	-
21,585	3,493	2,568	-	-	-
24,910	3,493	38,843	77,536	26,522	6,916
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
420	525	33,276	-	-	-
420	525	33,276	-	-	-
24,490	2,968	5,567	77,536	26,522	6,916
-	-	-	-	-	-
-	-	-	(70,000)	(11,194)	(6,916)
-	-	-	(70,000)	(11,194)	(6,916)
24,490	2,968	5,567	7,536	15,328	-
1,862,470	233,241	1,150,110	(388,193)	71,079	2,485
<u>\$ 1,886,960</u>	<u>\$ 236,209</u>	<u>\$ 1,155,677</u>	<u>\$ (380,657)</u>	<u>\$ 86,407</u>	<u>\$ 2,485</u>

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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, 2021

	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	263 Blue Star Power Systems TIF #25	864 10% Gambling	Total
Revenues								
Taxes								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Sales taxes	-	-	-	-	-	-	-	808,264
Tax increments	87,088	32,059	21,498	67,307	41,195	212,549	-	572,670
Hotel taxes	-	-	-	-	-	-	-	24,818
Other taxes	-	-	-	-	-	-	51,034	51,034
Intergovernmental								
Federal								
ARPA	-	-	-	-	-	-	-	2,044
Charges for services	-	-	-	-	-	-	-	1,011,649
Investment earnings	-	-	-	-	-	-	-	3,325
Miscellaneous								
Contributions and donations	-	-	-	-	-	-	-	161,239
Other	-	-	-	-	-	-	-	48,815
Total Revenues	87,088	32,059	21,498	67,307	41,195	212,549	51,034	2,758,858
Expenditures								
Current								
General government	-	-	-	-	-	-	26,400	26,400
Culture and recreation								
Parks	-	-	-	-	-	-	-	577,159
Pool	-	-	-	-	-	-	-	505,844
Library	-	-	-	-	-	-	-	48,884
Other	-	-	-	-	-	-	-	183,312
Housing and economic development	87,088	-	21,498	67,307	41,195	212,549	-	522,725
Total Expenditures	87,088	-	21,498	67,307	41,195	212,549	26,400	1,864,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	32,059	-	-	-	-	24,634	894,534
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	123,960
Transfers out	-	(32,090)	-	-	-	-	-	(432,344)
Total Other Financing Sources (Uses)	-	(32,090)	-	-	-	-	-	(308,384)
Net Change in Fund Balances	-	(31)	-	-	-	-	24,634	586,150
Fund Balances, January 1	-	19,535	-	-	-	-	78,315	3,820,149
Fund Balances, December 31	\$ -	\$ 19,504	\$ -	\$ -	\$ -	\$ -	\$ 102,949	\$ 4,406,299

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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021			2020
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
Federal				
CARES	\$ -	\$ -	\$ -	\$ 722
Charges for services	-	199	199	-
Miscellaneous				
Contributions and donations	31,500	30,472	(1,028)	30,093
Total Revenues	<u>31,500</u>	<u>30,671</u>	<u>(829)</u>	<u>30,815</u>
Expenditures				
Current				
Culture and recreation				
Other services and charges	<u>53,250</u>	<u>48,884</u>	<u>4,366</u>	<u>40,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,750)	(18,213)	3,537	(9,323)
Other Financing Sources				
Transfers in	<u>21,750</u>	<u>21,750</u>	<u>-</u>	<u>18,417</u>
Net Change in Fund Balances	-	3,537	3,537	9,094
Fund Balances, January 1	<u>55,540</u>	<u>55,540</u>	<u>-</u>	<u>46,446</u>
Fund Balances, December 31	<u>\$ 55,540</u>	<u>\$ 59,077</u>	<u>\$ 3,537</u>	<u>\$ 55,540</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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021			2020
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Sales tax	\$ 600,000	\$ 808,264	\$ 208,264	\$ 695,603
Expenditures				
Current				
Culture and recreation				
Other services and charges	-	18,411	(18,411)	-
Capital outlay				
Culture and recreation	-	-	-	28,691
Total Expenditures	-	18,411	(18,411)	28,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	600,000	789,853	189,853	666,912
Other Financing Uses				
Transfers out	(299,850)	(299,850)	-	(513,503)
Net Change in Fund Balances	300,150	490,003	189,853	153,409
Fund Balances, January 1	408,630	408,630	-	255,221
Fund Balances, December 31	\$ 708,780	\$ 898,633	\$ 189,853	\$ 408,630

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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, 2021

	230	411	412	437	439
	Capital Facilities and Equipment Replacement - General	Caswell Softball Complex	Caswell North	2017 Construction	2019 Construction
Assets					
Cash and temporary investments	\$ 635,687	\$ 1,597,097	\$ -	\$ 140,941	\$ 324,317
Prepaid items	46,629	-	-	-	-
Total Assets	\$ 682,316	\$ 1,597,097	\$ -	\$ 140,941	\$ 324,317
Liabilities					
Accounts payable	\$ 203,608	\$ 175	\$ -	\$ 12,368	\$ 76,642
Contracts payable	-	7,041	37,950	128,573	-
Due to other funds	-	-	234,140	-	-
Total Liabilities	203,608	7,216	272,090	140,941	76,642
Fund Balances					
Nonspendable	46,629	-	-	-	-
Restricted	-	1,012,376	-	-	247,675
Committed	432,079	577,505	-	-	-
Unassigned	-	-	(272,090)	-	-
Total Fund Balances	478,708	1,589,881	(272,090)	-	247,675
Total Liabilities and Fund Balances	\$ 682,316	\$ 1,597,097	\$ -	\$ 140,941	\$ 324,317

421**422****423****425**

<u>2021</u> <u>Construction</u>	<u>2022</u> <u>Construction</u>	<u>2023</u> <u>Construction</u>	<u>2025</u> <u>Construction</u>	<u>Total</u>
\$ 1,450,876	\$ -	\$ -	\$ -	\$ 4,148,918
-	-	-	-	46,629
<u>\$ 1,450,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,195,547</u>
\$ 298,599	\$ 64,573	\$ 4,116	\$ -	\$ 660,081
21,270	-	-	-	194,834
-	43,112	14,719	11,069	303,040
<u>319,869</u>	<u>107,685</u>	<u>18,835</u>	<u>11,069</u>	<u>1,157,955</u>
-	-	-	-	46,629
1,131,007	-	-	-	2,391,058
-	-	-	-	1,009,584
-	(107,685)	(18,835)	(11,069)	(409,679)
<u>1,131,007</u>	<u>(107,685)</u>	<u>(18,835)</u>	<u>(11,069)</u>	<u>3,037,592</u>
<u>\$ 1,450,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,195,547</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, 2021

	230	411	412	437	439
	Capital Facilities and Equipment Replacement - General	Caswell Softball Complex	Caswell North	2017 Construction	2019 Construction
Revenues					
Intergovernmental					
Federal					
ARPA	\$ 59,451	\$ -	\$ -	\$ -	\$ -
Construction aid	-	-	-	-	231,556
Investment earnings (loss)	-	(683)	-	-	-
Miscellaneous					
Contributions and donations	25,000	-	-	-	-
Total Revenues	<u>84,451</u>	<u>(683)</u>	<u>-</u>	<u>-</u>	<u>231,556</u>
Expenditures					
Capital outlay					
Public safety	150,393	-	-	-	-
Public works	110,532	-	-	-	22,935
Culture and recreation	155,750	257,690	1,701,179	-	-
Debt service					
Bond issuance costs	-	18,496	21,388	-	-
Total Expenditures	<u>416,675</u>	<u>276,186</u>	<u>1,722,567</u>	<u>-</u>	<u>22,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(332,224)</u>	<u>(276,869)</u>	<u>(1,722,567)</u>	<u>-</u>	<u>208,621</u>
Other Financing Sources (Uses)					
Transfers in	411,500	577,505	-	-	-
Bonds issued	-	1,200,000	1,350,000	-	-
Premium on bonds issued	-	89,245	100,477	-	-
Total Other Financing Sources (Uses)	<u>411,500</u>	<u>1,866,750</u>	<u>1,450,477</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	79,276	1,589,881	(272,090)	-	208,621
Fund Balances, January 1	<u>399,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,054</u>
Fund Balances, December 31	<u>\$ 478,708</u>	<u>\$ 1,589,881</u>	<u>\$ (272,090)</u>	<u>\$ -</u>	<u>\$ 247,675</u>

421	422	423	425	
2021 Construction	2022 Construction	2023 Construction	2025 Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ 59,451
-	-	-	-	231,556
(5,394)	-	-	-	(6,077)
100,000	-	-	-	125,000
94,606	-	-	-	409,930
-	-	-	-	150,393
1,264,589	107,685	17,044	11,069	1,533,854
-	-	-	-	2,114,619
33,999	-	-	-	73,883
1,298,588	107,685	17,044	11,069	3,872,749
(1,203,982)	(107,685)	(17,044)	(11,069)	(3,462,819)
-	-	-	-	989,005
2,205,000	-	-	-	4,755,000
226,813	-	-	-	416,535
2,431,813	-	-	-	6,160,540
1,227,831	(107,685)	(17,044)	(11,069)	2,697,721
(96,824)	-	(1,791)	-	339,871
\$ 1,131,007	\$ (107,685)	\$ (18,835)	\$ (11,069)	\$ 3,037,592

City of North Mankato, Minnesota
Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds		
	603	651	
	<u>Recycling</u>	<u>Solid Waste</u>	<u>Total</u>
Assets			
Current Assets			
Cash and temporary investments	\$ 218,753	\$ 938	\$ 219,691
Receivables			
Accounts	12,088	-	12,088
Prepaid items	2,255	1,954	4,209
Total Current Assets	<u>233,096</u>	<u>2,892</u>	<u>235,988</u>
Noncurrent Assets			
Capital assets			
Land	160,650	-	160,650
Buildings	1,502,553	1,776	1,504,329
Machinery and equipment	397,134	424,689	821,823
Less accumulated depreciation	(988,423)	(240,704)	(1,229,127)
Total Noncurrent Assets	<u>1,071,914</u>	<u>185,761</u>	<u>1,257,675</u>
Total Assets	<u>1,305,010</u>	<u>188,653</u>	<u>1,493,663</u>
Deferred Outflows of Resources			
Deferred pension resources	18,141	24,731	42,872
Deferred other postemployment benefit resources	-	7,388	7,388
Total Deferred Outflows of Resources	<u>18,141</u>	<u>32,119</u>	<u>50,260</u>
Liabilities			
Current Liabilities			
Accounts payable	22,073	48,225	70,298
Due to other governments	-	6,288	6,288
Accrued interest payable	4,123	344	4,467
Accrued wages payable	683	1,240	1,923
Compensated absences payable - current portion	1,929	6,210	8,139
Bonds payable - current portion	95,000	15,000	110,000
Total Current Liabilities	<u>123,808</u>	<u>77,307</u>	<u>201,115</u>
Noncurrent Liabilities			
Compensated absences payable, net of current portion	3,192	2,406	5,598
Other postemployment benefits liability	-	20,482	20,482
Net pension liability	24,631	33,578	58,209
Bonds payable, net of current portion	296,592	107,151	403,743
Total Noncurrent Liabilities	<u>324,415</u>	<u>163,617</u>	<u>488,032</u>
Total Liabilities	<u>448,223</u>	<u>240,924</u>	<u>689,147</u>
Deferred Inflows of Resources			
Deferred pension resources	22,642	30,866	53,508
Deferred other postemployment benefit resources	-	6,932	6,932
Total Deferred Inflows of Resources	<u>22,642</u>	<u>37,798</u>	<u>60,440</u>
Net Position			
Net investment in capital assets	680,322	63,610	743,932
Unrestricted	171,964	(121,560)	50,404
Total Net Position	<u>\$ 852,286</u>	<u>\$ (57,950)</u>	<u>\$ 794,336</u>

City of North Mankato, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	603	651	
	Recycling	Solid Waste	Total
Operating Revenues			
Charges for services	\$ 476,903	\$ 770,622	\$ 1,247,525
Facility rental	61,371	-	61,371
Other	49,344	1,089	50,433
Total Operating Revenues	<u>587,618</u>	<u>771,711</u>	<u>1,359,329</u>
Operating Expenses			
Personal services	55,657	98,047	153,704
Supplies	1,970	289	2,259
Other services and charges	84,967	103,334	188,301
Contractual services	206,585	516,107	722,692
Insurance	2,833	-	2,833
Utilities	17,824	-	17,824
Depreciation	38,341	40,538	78,879
Total Operating Expenses	<u>408,177</u>	<u>758,315</u>	<u>1,166,492</u>
Operating Income (Loss)	<u>179,441</u>	<u>13,396</u>	<u>192,837</u>
Nonoperating Revenues (Expenses)			
Interest expense	(10,067)	(4,890)	(14,957)
Bond issuance costs	-	(2,522)	(2,522)
Amortization of bond premiums (discounts)	(854)	9,038	8,184
Total Nonoperating Revenues (Expenses)	<u>(10,921)</u>	<u>1,626</u>	<u>(9,295)</u>
Income Before Transfers	168,520	15,022	183,542
Transfers In	40,000	43,607	83,607
Transfers Out	<u>(43,607)</u>	<u>(45,000)</u>	<u>(88,607)</u>
Change in Net Position	164,913	13,629	178,542
Net Position, January 1	<u>687,373</u>	<u>(71,579)</u>	<u>615,794</u>
Net Position, December 31	<u>\$ 852,286</u>	<u>\$ (57,950)</u>	<u>\$ 794,336</u>

City of North Mankato, Minnesota
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	603	651	
	Recycling	Solid Waste	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 472,047	\$ 771,628	\$ 1,243,675
Payments to suppliers and vendors	(316,324)	(620,000)	(936,324)
Payments to and on behalf of employees	(53,533)	(97,159)	(150,692)
Other receipts	110,715	-	110,715
Net Cash Provided by Operating Activities	212,905	54,469	267,374
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	40,000	43,607	83,607
Transfers to other funds	(43,607)	(45,000)	(88,607)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,607)	(1,393)	(5,000)
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(11,646)	(17,410)	(29,056)
Proceeds from bond issue, net discounts/premiums	-	122,151	122,151
Principal paid on revenue bonds payable	(90,000)	(160,000)	(250,000)
Interest paid on revenue bonds payable	(10,930)	(4,946)	(15,876)
Bond issuance costs paid on bonds	-	(2,522)	(2,522)
Net Cash Used by Capital and Related Financing Activities	(112,576)	(62,727)	(175,303)
Net Increase (Decrease) in Cash and Cash Equivalents	96,722	(9,651)	87,071
Cash and Cash Equivalents, January 1	122,031	10,589	132,620
Cash and Cash Equivalents, December 31	\$ 218,753	\$ 938	\$ 219,691
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 179,441	\$ 13,396	\$ 192,837
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	38,341	40,538	78,879
(Increase) decrease in assets			
Accounts receivable	(5,918)	-	(5,918)
Intergovernmental	1,122	-	1,122
Prepaid items	(1,201)	(1,131)	(2,332)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(14,503)	(19,145)	(33,648)
Deferred other postemployment benefit resources	-	365	365
Increase (decrease) in liabilities			
Accounts payable	(58)	816	758
Due to other governments	(886)	45	(841)
Accrued wages payable	(33)	277	244
Compensated absences payable	1,766	2,689	4,455
Other postemployment benefits liability	-	(4,347)	(4,347)
Net pension liability	(6,372)	(14,028)	(20,400)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	21,206	28,661	49,867
Deferred other postemployment benefit resources	-	6,333	6,333
Net Cash Provided (Used) by Operating Activities	\$ 212,905	\$ 54,469	\$ 267,374
Schedule of Noncash Capital and Related Financing Activities			
Amortization of bond (premium) discount	\$ 854	\$ (9,038)	\$ (8,184)

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.

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City of North Mankato, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	\$ 5,099,187	\$ 3,762,341
Receivables		
Taxes	86,431	119,331
Accounts	95,496	68,405
Special assessments		
Delinquent	495	550
Noncurrent	18,638	25,821
Intergovernmental	304,066	376,345
Advance to other funds	656,638	834,522
Due from other funds	303,040	55,143
Prepaid items	18,731	34,292
	<u>18,731</u>	<u>34,292</u>
Total Assets	<u>\$ 6,582,722</u>	<u>\$ 5,276,750</u>
Liabilities		
Accounts payable	\$ 151,495	\$ 174,946
Contracts payable	-	14,691
Accrued wages payable	116,144	71,044
Due to other governments	44,953	61,405
Unearned revenue	756,977	71,864
Total Liabilities	<u>1,069,569</u>	<u>393,950</u>
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	86,431	119,331
Special assessments	19,133	26,371
Total Deferred Inflows of Resources	<u>105,564</u>	<u>145,702</u>
Fund Balances		
Nonspendable		
Prepaid items	18,731	34,292
Advances to other funds	656,638	834,522
Restricted	150,000	-
Unassigned	4,582,220	3,868,284
Total Fund Balances	<u>5,407,589</u>	<u>4,737,098</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,582,722</u>	<u>\$ 5,276,750</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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 5,258,162	\$ 5,258,162	\$ 5,299,301	\$ 41,139	\$ 5,142,877
Sales tax	71	71	13	(58)	28
Franchise taxes	501,000	501,000	516,670	15,670	513,513
Other taxes	55,005	55,005	81,311	26,306	38,132
Total taxes	5,814,238	5,814,238	5,897,295	83,057	5,694,550
Special assessments	12,200	12,200	7,769	(4,431)	5,233
Licenses and permits					
Business	134,295	134,295	131,923	(2,372)	118,560
Nonbusiness	357,350	357,350	497,382	140,032	402,166
Total licenses and permits	491,645	491,645	629,305	137,660	520,726
Intergovernmental					
Federal					
CARES/ARPA	-	-	33,592	33,592	850,699
Other	7,000	7,000	7,229	229	3,369
State					
Local government aid	1,877,762	1,877,762	1,955,972	78,210	1,884,836
Municipal state aid	185,105	185,105	-	(185,105)	-
Fire aid	75,000	75,000	82,987	7,987	79,410
Police aid	120,000	120,000	134,824	14,824	128,377
Other	20,000	20,000	38,848	18,848	128,636
County					
Other County aid	60,044	60,044	60,044	-	60,044
Total intergovernmental	2,344,911	2,344,911	2,313,496	(31,415)	3,135,371
Charges for services					
General government	24,015	24,015	24,552	537	19,878
Public safety	2,711	2,711	15,708	12,997	11,272
Culture and recreation	18,150	18,150	23,034	4,884	340,918
Rents	113,376	113,376	109,353	(4,023)	102,244
Total charges for services	158,252	158,252	172,647	14,395	474,312
Fines and forfeits					
Court fines	25,000	25,000	18,088	(6,912)	18,129
Parking fines	500	500	165	(335)	435
Total fines and forfeits	25,500	25,500	18,253	(7,247)	18,564
Investment earnings	40,500	40,500	10,725	(29,775)	30,777
Miscellaneous					
Contributions and donations	11,600	11,600	184,877	173,277	20,713
Other	36,429	36,429	145,333	108,904	117,768
Total miscellaneous	48,029	48,029	330,210	282,181	138,481
Total Revenues	8,935,275	8,935,275	9,379,700	444,425	10,018,014

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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 45,681	\$ 45,681	\$ 44,492	\$ 1,189	\$ 34,913
Supplies	200	200	-	200	4,013
Other services and charges	7,820	7,820	3,926	3,894	9,785
Total mayor and council	53,701	53,701	48,418	5,283	48,711
Administration					
Personal services	479,950	479,950	483,863	(3,913)	484,510
Supplies	49,200	49,200	30,462	18,738	31,519
Other services and charges	162,341	162,341	188,544	(26,203)	155,472
Total administration	691,491	691,491	702,869	(11,378)	671,501
City attorney					
Supplies	300	300	-	300	204
Other services and charges	115,516	115,516	133,762	(18,246)	127,830
Total city attorney	115,816	115,816	133,762	(17,946)	128,034
Total general government	861,008	861,008	885,049	(24,041)	848,246
Public safety					
Police protection					
Personal services	1,905,448	1,905,448	2,099,155	(193,707)	2,001,651
Supplies	109,500	109,500	105,012	4,488	97,204
Other services and charges	166,041	166,041	161,541	4,500	160,872
Total police protection	2,180,989	2,180,989	2,365,708	(184,719)	2,259,727
Fire protection					
Personal services	244,620	244,620	215,826	28,794	223,812
Supplies	53,660	53,660	68,672	(15,012)	46,638
Other services and charges	63,177	63,177	54,432	8,745	59,075
Total fire protection	361,457	361,457	338,930	22,527	329,525
Total public safety	2,542,446	2,542,446	2,704,638	(162,192)	2,589,252
Public works					
Street maintenance					
Personal services	775,025	775,025	694,459	80,566	755,907
Supplies	427,000	427,000	427,854	(854)	325,723
Other services and charges	215,617	215,617	189,817	25,800	247,715
Total street maintenance	1,417,642	1,417,642	1,312,130	105,512	1,329,345
Equipment maintenance					
Personal services	197,936	197,936	191,689	6,247	191,334
Supplies	75,000	75,000	65,822	9,178	59,863
Other services and charges	27,004	27,004	26,596	408	22,126
Total equipment maintenance	299,940	299,940	284,107	15,833	273,323
Street lighting					
Personal services	7,883	7,883	9,038	(1,155)	7,865
Supplies	45,500	45,500	39,511	5,989	19,276
Other services and charges	322,105	322,105	318,685	3,420	313,286
Total street lighting	375,488	375,488	367,234	8,254	340,427
Total public works	2,093,070	2,093,070	1,963,471	129,599	1,943,095

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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Personal services	\$ -	\$ -	\$ -	\$ -	\$ 175,218
Supplies	-	-	-	-	48,379
Other services and charges	-	-	-	-	128,936
Total swimming pool	-	-	-	-	352,533
Parks					
Personal services	435,593	435,593	379,491	56,102	452,406
Supplies	145,000	145,000	164,585	(19,585)	169,489
Other services and charges	96,162	96,162	130,017	(33,855)	114,733
Total parks	676,755	676,755	674,093	2,662	736,628
Library					
Personal services	390,234	390,234	354,009	36,225	341,142
Supplies	140,900	140,900	123,418	17,482	122,027
Other services and charges	47,548	47,548	71,529	(23,981)	96,794
Total library	578,682	578,682	548,956	29,726	559,963
Bookmobile					
Personal services	80,385	80,385	80,791	(406)	77,644
Supplies	18,950	18,950	8,395	10,555	9,742
Other services and charges	3,894	3,894	2,766	1,128	2,518
Total bookmobile	103,229	103,229	91,952	11,277	89,904
Total culture and recreation	1,358,666	1,358,666	1,315,001	43,665	1,739,028
Housing and economic development					
Community development					
Personal services	457,507	457,507	437,805	19,702	362,778
Supplies	20,500	20,500	23,019	(2,519)	16,689
Other services and charges	181,356	181,356	235,475	(54,119)	280,070
Total housing and economic development	659,363	659,363	696,299	(36,936)	659,537

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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	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	\$ 230,250	\$ 230,250	\$ 184,199	\$ 46,051	\$ 206,634
Other					
Other services and charges	74,500	74,500	67,968	6,532	75,238
Total mass transit and other	304,750	304,750	252,167	52,583	281,872
Total current	7,819,303	7,819,303	7,816,625	2,678	8,061,030
Capital outlay					
General government	7,700	7,700	29,327	(21,627)	67,717
Public safety	1,000	1,000	-	1,000	39,003
Public works	590,000	590,000	618,034	(28,034)	598,753
Culture and recreation	246,500	246,500	234,031	12,469	353,066
Housing and economic development	25,000	25,000	16,443	8,557	34,386
Total capital outlay	870,200	870,200	897,835	(27,635)	1,092,925
Total Expenditures	8,689,503	8,689,503	8,714,460	(24,957)	9,153,955
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	245,772	245,772	665,240	419,468	864,059
Other Financing Sources (Uses)					
Sale of capital assets	5,000	5,000	-	(5,000)	12,386
Transfers in	261,750	261,750	444,211	182,461	569,817
Transfers out	(413,750)	(413,750)	(438,960)	(25,210)	(490,379)
Total Other Financing Sources (Uses)	(147,000)	(147,000)	5,251	152,251	91,824
Net Change in Fund Balances	98,772	98,772	670,491	571,719	955,883
Fund Balances, January 1	4,737,098	4,737,098	4,737,098	-	3,781,215
Fund Balances, December 31	\$ 4,835,870	\$ 4,835,870	\$ 5,407,589	\$ 571,719	\$ 4,737,098

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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, 2021

	312	316	318	319	320	321
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	2020A G.O. Bonds	2021A G.O. Bonds
Assets						
Cash and temporary investments	\$ 6,966	\$ 1,489,723	\$ -	\$ -	\$ 98,873	\$ 54,785
Receivables						
Special assessments						
Delinquent	-	-	1,520	1,937	-	-
Noncurrent	7,855	819,443	58,800	251,831	251,298	175,133
Intergovernmental	-	7,498	-	12,008	-	-
Due from other funds	-	-	-	-	-	-
Total Assets	<u>\$ 14,821</u>	<u>\$ 2,316,664</u>	<u>\$ 60,320</u>	<u>\$ 265,776</u>	<u>\$ 350,171</u>	<u>\$ 229,918</u>
Liabilities						
Accounts payable	\$ 6,966	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	287,200	-	-	-	-
Total Liabilities	<u>6,966</u>	<u>287,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	7,855	819,443	60,320	253,768	251,298	175,133
Intergovernmental	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>7,855</u>	<u>819,443</u>	<u>60,320</u>	<u>253,768</u>	<u>251,298</u>	<u>175,133</u>
Fund Balances						
Restricted	-	1,210,021	-	12,008	98,873	54,785
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,821</u>	<u>\$ 2,316,664</u>	<u>\$ 60,320</u>	<u>\$ 265,776</u>	<u>\$ 350,171</u>	<u>\$ 229,918</u>

311	349	350	356	358
2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2015A G.O. Improvement Bonds
\$ -	\$ 49,407	\$ 16,637	\$ -	\$ -
-	-	-	1,444	-
-	-	714,678	187,249	348,286
-	745,000	-	4,195	-
-	247,175	-	-	-
<u>\$ -</u>	<u>\$ 1,041,582</u>	<u>\$ 731,315</u>	<u>\$ 192,888</u>	<u>\$ 348,286</u>
\$ -	\$ -	\$ 16,637	\$ -	\$ -
-	-	-	-	-
-	-	16,637	-	-
-	-	714,678	188,693	348,286
-	745,000	-	-	-
-	745,000	714,678	188,693	348,286
-	296,582	-	4,195	-
<u>\$ -</u>	<u>\$ 1,041,582</u>	<u>\$ 731,315</u>	<u>\$ 192,888</u>	<u>\$ 348,286</u>

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City of North Mankato, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2021

	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
Assets					
Cash and temporary investments	\$ -	\$ 30,309	\$ -	\$ -	1,746,700
Receivables					
Special assessments					
Delinquent	-	-	-	-	4,901
Noncurrent	-	-	-	71,815	2,886,388
Intergovernmental	-	-	-	403	769,104
Due from other funds	-	-	-	-	247,175
Total Assets	<u>\$ -</u>	<u>\$ 30,309</u>	<u>\$ -</u>	<u>\$ 72,218</u>	<u>\$ 5,654,268</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,603
Due to other funds	-	-	-	-	287,200
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,803</u>
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	-	-	-	71,815	2,891,289
Intergovernmental	-	-	-	-	745,000
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,815</u>	<u>3,636,289</u>
Fund Balances					
Restricted	-	30,309	-	403	1,707,176
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 30,309</u>	<u>\$ -</u>	<u>\$ 72,218</u>	<u>\$ 5,654,268</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, 2021

	312	316	318	319	320	321
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	2020A G.O. Bonds	2021A G.O. Bonds
Revenues						
Taxes						
Property taxes	\$ -	\$ 1,690,166	\$ -	\$ -	\$ -	\$ -
Special assessments	1,367	116,978	6,119	43,798	32,047	55,635
Investment earnings	-	184	-	-	-	-
Total Revenues	<u>1,367</u>	<u>1,807,328</u>	<u>6,119</u>	<u>43,798</u>	<u>32,047</u>	<u>55,635</u>
Expenditures						
Debt service						
Principal	585,000	-	260,000	115,000	-	-
Interest and other costs	29,192	-	132,762	33,576	46,796	850
Bond issuance costs	-	-	-	-	-	-
Total Expenditures	<u>614,192</u>	<u>-</u>	<u>392,762</u>	<u>148,576</u>	<u>46,796</u>	<u>850</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(612,825)</u>	<u>1,807,328</u>	<u>(386,643)</u>	<u>(104,778)</u>	<u>(14,749)</u>	<u>54,785</u>
Other Financing Sources (Uses)						
Transfers in	77,384	-	386,643	95,641	-	-
Bonds issued	470,000	-	-	-	-	-
Premium on bonds issued	65,441	-	-	-	-	-
Transfers out	-	(1,919,794)	-	-	-	-
Total Other Financing Sources (Uses)	<u>612,825</u>	<u>(1,919,794)</u>	<u>386,643</u>	<u>95,641</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(112,466)	-	(9,137)	(14,749)	54,785
Fund Balances, January 1	<u>-</u>	<u>1,322,487</u>	<u>-</u>	<u>21,145</u>	<u>113,622</u>	<u>-</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 1,210,021</u>	<u>\$ -</u>	<u>\$ 12,008</u>	<u>\$ 98,873</u>	<u>\$ 54,785</u>

311	349	350	356	358
2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2015A G.O. Improvement Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	56	-	34,774	-
-	-	-	-	-
<u>-</u>	<u>56</u>	<u>-</u>	<u>34,774</u>	<u>-</u>
255,000	235,000	1,240,000	750,000	35,000
44,850	24,351	48,745	20,143	37,293
-	-	23,174	-	-
<u>299,850</u>	<u>259,351</u>	<u>1,311,919</u>	<u>770,143</u>	<u>72,293</u>
<u>(299,850)</u>	<u>(259,295)</u>	<u>(1,311,919)</u>	<u>(735,369)</u>	<u>(72,293)</u>
299,850	259,350	209,455	739,564	72,293
-	-	990,000	-	-
-	-	112,464	-	-
-	-	-	-	-
<u>299,850</u>	<u>259,350</u>	<u>1,311,919</u>	<u>739,564</u>	<u>72,293</u>
-	55	-	4,195	-
-	296,527	-	-	-
<u>\$ -</u>	<u>\$ 296,582</u>	<u>\$ -</u>	<u>\$ 4,195</u>	<u>\$ -</u>

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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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$1,690,166
Special assessments	-	-	-	16,461	307,235
Investment earnings	-	-	-	-	184
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,461</u>	<u>1,997,585</u>
Expenditures					
Debt service					
Principal	160,000	15,000	95,000	105,000	3,850,000
Interest and other costs	47,100	17,615	21,189	21,450	525,912
Bond issuance costs	-	-	-	-	23,174
Total Expenditures	<u>207,100</u>	<u>32,615</u>	<u>116,189</u>	<u>126,450</u>	<u>4,399,086</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(207,100)</u>	<u>(32,615)</u>	<u>(116,189)</u>	<u>(109,989)</u>	<u>(2,401,501)</u>
Other Financing Sources (Uses)					
Transfers in	187,793	32,090	101,033	110,392	2,571,488
Bonds issued	-	-	-	-	1,460,000
Premium on bonds issued	-	-	-	-	177,905
Transfers out	-	-	-	-	(1,919,794)
Total Other Financing Sources (Uses)	<u>187,793</u>	<u>32,090</u>	<u>101,033</u>	<u>110,392</u>	<u>2,289,599</u>
Net Change in Fund Balances	(19,307)	(525)	(15,156)	403	(111,902)
Fund Balances, January 1	<u>19,307</u>	<u>30,834</u>	<u>15,156</u>	<u>-</u>	<u>1,819,078</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 30,309</u>	<u>\$ -</u>	<u>\$ 403</u>	<u>\$1,707,176</u>

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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 on behalf of Fun Days.

City of North Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	863 Minnesota River Valley Task Force	865 Tactical Response Team	866 Miss Fun Days	Total
Assets				
Cash and cash equivalents	<u>\$ 229</u>	<u>\$ 26,343</u>	<u>\$ -</u>	<u>\$ 26,572</u>
Net Position				
Restricted				
Organizations and other governments	<u>\$ 229</u>	<u>\$ 26,343</u>	<u>\$ -</u>	<u>\$ 26,572</u>

City of North Mankato, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	863 Minnesota River Valley Task Force	865 Tactical Response Team	866 Miss Fun Days	Total
Additions				
Refunds and reimbursements	\$ -	24,000	\$ -	\$ 24,000
Deductions				
Miscellaneous	-	43,312	63	43,375
Net Increase (Decrease) in Fiduciary Net Position	-	(19,312)	(63)	(19,375)
Net Position, January 1	229	45,655	63	45,947
Net Position, December 31	<u>\$ 229</u>	<u>\$ 26,343</u>	<u>\$ -</u>	<u>\$ 26,572</u>

City of North Mankato, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2021 and 2020

	Totals		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 9,119,247	\$ 8,548,108	6.68 %
Special assessments	315,004	651,737	(51.67)
Licenses and permits	629,305	515,126	22.17
Intergovernmental	3,336,391	3,690,154	(9.59)
Charges for services	1,184,296	792,629	49.41
Fines and forfeits	18,253	18,564	(1.68)
Investment earnings (loss)	(2,996)	40,483	(107.40)
Miscellaneous	665,264	352,655	88.64
	<u>\$ 15,264,764</u>	<u>\$ 14,609,456</u>	4.49 %
Total Revenues			
Per Capita	\$ 1,069	\$ 1,035	3.31 %
Expenditures			
Current			
General government	\$ 911,449	\$ 875,453	4.11 %
Public safety	2,704,638	2,589,252	4.46
Public works	1,963,471	1,943,095	1.05
Culture and recreation	2,630,200	2,163,307	21.58
Housing and economic development	1,219,024	1,085,928	12.26
Miscellaneous	252,167	281,872	(10.54)
Capital outlay			
General government	29,327	65,865	(55.47)
Public safety	150,393	108,659	38.41
Public works	2,314,761	5,039,587	(54.07)
Culture and recreation	2,530,823	380,027	565.96
Economic development	16,443	34,386	(52.18)
Debt service			
Principal	3,850,000	4,595,000	(16.21)
Interest and other charges	525,912	658,126	(20.09)
Bond issuance costs	198,823	-	N/A
	<u>\$ 19,297,431</u>	<u>\$ 19,820,557</u>	(2.64) %
Total Expenditures			
Per Capita	\$ 1,352	\$ 1,404	(3.74) %
Total Long-Term Indebtedness	\$ 29,300,000	\$ 20,335,000	44.09 %
Per Capita	2,053	1,441	42.46
General Fund Balance - December 31	\$ 5,407,589	\$ 4,737,098	14.15 %
Per Capita	379	336	12.87

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, 2021

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STATISTICAL SECTION (UNAUDITED)

This part of the City of North Mankato's annual comprehensive 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				
	2021	2020	2019	2018	2017
Governmental Activities					
Net investment in capital assets	\$ 33,122,612	\$ 32,611,813	\$ 31,159,895	\$ 27,823,936	\$ 26,221,794
Restricted	7,512,439	7,489,928	8,358,055	8,142,886	8,981,442
Unrestricted	1,324,100	365,115	74,882	85,586	(183,601)
Total Governmental Activities Net Position	<u>41,959,151</u>	<u>40,466,856</u>	<u>39,592,832</u>	<u>36,052,408</u>	<u>35,019,635</u>
Business-type Activities					
Net investment in capital assets	24,686,987	23,882,997	22,608,155	20,942,250	19,401,310
Restricted	454,917	-	-	-	-
Unrestricted	3,146,718	1,979,560	1,496,570	1,689,082	1,750,317
Total Business-type Activities Net Position	<u>28,288,622</u>	<u>25,862,557</u>	<u>24,104,725</u>	<u>22,631,332</u>	<u>21,151,627</u>
Primary Government					
Net investment in capital assets	57,809,599	56,494,810	53,768,050	48,766,186	45,623,104
Restricted	7,967,356	7,489,928	8,358,055	8,142,886	8,981,442
Unrestricted	4,470,818	2,344,675	1,571,452	1,774,668	1,566,716
Total Primary Government Net Position	<u>\$ 70,247,773</u>	<u>\$ 66,329,413</u>	<u>\$ 63,697,557</u>	<u>\$ 58,683,740</u>	<u>\$ 56,171,262</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				
2016	2015	2014*	2013	2012
\$ 24,879,816	\$ 25,459,305	\$ 18,290,571	\$ 19,673,984	\$ 22,078,379
8,410,399	8,277,733	8,188,704	8,745,277	7,064,989
(1,059,506)	(737,444)	27,057	2,792,772	2,738,240
<u>32,230,709</u>	<u>32,999,594</u>	<u>26,506,332</u>	<u>31,212,033</u>	<u>31,881,608</u>
18,591,065	18,717,246	17,491,003	17,093,203	16,189,284
-	-	-	-	-
1,944,589	1,818,513	2,716,102	3,281,817	3,169,994
<u>20,535,654</u>	<u>20,535,759</u>	<u>20,207,105</u>	<u>20,375,020</u>	<u>19,359,278</u>
43,470,881	44,176,551	35,781,574	36,767,187	38,267,663
8,410,399	8,277,733	8,188,704	8,745,277	7,064,989
885,083	1,081,069	2,743,159	6,074,589	5,908,234
<u>\$ 52,766,363</u>	<u>\$ 53,535,353</u>	<u>\$ 46,713,437</u>	<u>\$ 51,587,053</u>	<u>\$ 51,240,886</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				
	2021	2020	2019	2018	2017
Expenses					
Governmental Activities					
General government	\$ 974,195	\$ 957,453	\$ 947,318	\$ 835,295	\$ 861,884
Public safety	2,640,635	2,758,465	2,832,027	2,621,043	2,582,049
Public works	4,313,776	4,578,559	4,567,564	4,240,545	3,693,176
Culture and recreation	3,264,363	2,526,817	2,537,701	2,011,001	1,961,563
Housing and economic development	1,202,013	1,087,471	1,107,339	956,740	1,015,852
Mass transit and other	252,167	281,872	313,307	196,792	302,532
Interest on long-term debt	663,373	585,845	562,224	708,029	552,578
Total Governmental Activities Expenses	<u>13,310,522</u>	<u>12,776,482</u>	<u>12,867,480</u>	<u>11,569,445</u>	<u>10,969,634</u>
Business-type Activities					
Water	1,721,160	1,701,022	1,770,227	1,600,645	1,674,978
Sewer	2,125,600	2,280,816	2,144,941	1,778,232	2,177,514
Sanitation/recycling	419,098	511,987	508,239	401,010	388,733
Solid waste	756,689	755,523	713,017	694,575	647,736
Storm water	321,705	384,147	311,100	330,787	294,943
Hotel	242,894	-	-	-	-
Total Business-type Activities Expenses	<u>5,587,146</u>	<u>5,633,495</u>	<u>5,447,524</u>	<u>4,805,249</u>	<u>5,183,904</u>
Total Primary Government Expenses	<u>\$ 18,897,668</u>	<u>\$ 18,409,977</u>	<u>\$ 18,315,004</u>	<u>\$ 16,374,694</u>	<u>\$ 16,153,538</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 200,543	\$ 182,377	\$ 170,602	\$ 147,955	\$ 162,710
Public safety	541,838	446,058	321,227	485,984	380,925
Public works	29,879	9,381	8,765	11,446	7,843
Culture and recreation	1,129,036	776,557	534,100	321,268	241,729
Housing and economic development	107,596	115,665	149,103	75,405	77,828
Miscellaneous	-	-	-	-	-
Operating grants and contributions	1,563,378	1,253,144	541,467	508,713	473,992
Capital grants and contributions	240,094	932,769	3,819,942	1,535,738	1,076,301
Total Governmental Activities Program Revenues	<u>3,812,364</u>	<u>3,715,951</u>	<u>5,545,206</u>	<u>3,086,509</u>	<u>2,421,328</u>
Business-type Activities					
Charges for services					
Water	2,240,331	2,077,790	2,000,861	1,943,703	2,005,102
Sewer	2,703,550	2,600,449	2,397,950	2,419,264	2,453,362
Sanitation/recycling	586,614	470,044	523,719	478,332	485,091
Solid waste	770,689	763,053	751,556	746,434	741,372
Storm water	469,626	401,844	405,414	391,238	279,939
Hotel	697,811	-	-	-	-
Operating grants and contributions	286,302	182,358	1,413	4,590	287
Capital grants and contributions	14,733	192,572	995,009	247,963	44,684
Total Business-type Activities Program Revenues	<u>7,769,656</u>	<u>6,688,110</u>	<u>7,075,922</u>	<u>6,231,524</u>	<u>6,009,837</u>
Total Primary Government Program Revenues	<u>\$ 11,582,020</u>	<u>\$ 10,404,061</u>	<u>\$ 12,621,128</u>	<u>\$ 9,318,033</u>	<u>\$ 8,431,165</u>

Table 2

Fiscal Year				
2016	2015	2014*	2013	2012
\$ 1,282,018	\$ 824,191	\$ 782,620	\$ 1,034,873	\$ 849,434
2,840,353	2,054,079	2,245,466	2,397,246	2,370,427
3,387,740	2,874,244	5,729,610	7,230,368	6,163,789
2,039,352	1,737,105	1,632,255	1,597,289	1,892,795
2,387,348	889,363	1,596,016	706,987	223,016
288,787	386,098	302,116	119,821	208,994
686,477	1,017,615	803,195	570,917	671,015
12,912,075	9,782,695	13,091,278	13,657,501	12,379,470
1,677,867	1,637,985	1,595,455	1,458,952	1,433,452
1,946,051	1,864,280	1,549,721	1,354,223	1,539,133
373,509	558,817	416,917	1,267,083	1,292,299
693,275	590,757	1,006,229	-	-
303,974	209,573	258,842	269,966	153,220
-	-	-	-	-
4,994,676	4,861,412	4,827,164	4,350,224	4,418,104
<u>\$ 17,906,751</u>	<u>\$ 14,644,107</u>	<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>	<u>\$ 16,797,574</u>
\$ 140,856	\$ 125,230	\$ 143,601	\$ 133,401	\$ 145,142
334,361	380,576	269,795	311,979	455,110
6,735	2,218	4,924	6,318	37,434
204,071	171,514	119,515	192,688	218,307
128,982	71,702	74,962	25,361	36,004
-	-	-	19	70
504,154	522,566	486,412	534,427	507,249
1,077,024	5,822,778	321,726	4,025,677	1,316,674
2,396,183	7,096,584	1,420,935	5,229,870	2,715,990
1,772,186	1,775,111	1,818,389	1,524,399	1,615,436
2,097,858	2,056,200	2,092,942	1,535,142	1,525,340
466,183	496,243	392,086	1,292,386	1,333,111
736,586	720,103	905,274	-	-
276,474	278,071	275,168	275,025	274,823
-	-	-	-	-
4,044	-	22,359	-	-
23,482	19,588	7,605	4,354	3,668
5,376,813	5,345,316	5,513,823	4,631,306	4,752,378
<u>\$ 7,772,996</u>	<u>\$ 12,441,900</u>	<u>\$ 6,934,758</u>	<u>\$ 9,861,176</u>	<u>\$ 7,468,368</u>

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

	Fiscal Year				
	2021	2020	2019	2018	2017
Program Revenues (Continued)					
Net (Expense)/Revenue					
Governmental Activities	\$ (9,498,155)	\$ (9,060,531)	\$ (7,322,274)	\$ (8,482,936)	\$ (8,548,306)
Business-type Activities	2,182,510	1,054,615	1,628,398	1,426,275	825,933
Total Primary Government Net Expense	<u>\$ 7,315,645</u>	<u>\$ 8,005,916</u>	<u>\$ 5,693,876</u>	<u>\$ 7,056,661</u>	<u>\$ 7,722,373</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 5,347,332	\$ 5,242,254	\$ 5,162,362	\$ 4,777,767	\$ 4,357,623
Property taxes, levied for debt service	1,690,166	1,600,166	1,568,790	1,591,863	1,553,036
Tax increments	572,670	433,157	378,820	375,733	388,080
Local option sales tax	809,926	697,204	679,665	583,893	569,952
Hotel-motel tax	24,818	14,580	19,596	37,456	47,430
Gambling tax	126,535	71,613	98,782	48,663	35,779
Franchise taxes	516,670	513,513	482,563	485,645	549,872
Grants and contributions not restricted to specific programs	2,018,122	1,888,766	1,742,876	1,744,328	1,733,531
Unrestricted investment earnings	(2,996)	40,483	100,900	18,486	9,773
Other revenues	135,402	111,242	77,454	84,660	111,643
Gain on sale of capital assets	-	12,536	315,204	10,098	1,002,021
Transfers and capital contributions between business-type	(248,195)	275,760	195,640	(140,527)	258,962
Total Governmental Activities	<u>10,990,450</u>	<u>10,901,274</u>	<u>10,822,652</u>	<u>9,618,065</u>	<u>10,617,702</u>
Business-Type Activities					
Taxes					
Property taxes, levied for debt service	-	-	-	-	-
Local option sales tax	-	-	-	1,333	1,412
Unrestricted investment earnings	(4,640)	12,258	40,635	9,592	47,590
Transfers and capital contributions between governmental	248,195	(275,760)	(195,640)	140,527	(258,962)
Total Business-type Activities	<u>243,555</u>	<u>(263,502)</u>	<u>(155,005)</u>	<u>151,452</u>	<u>(209,960)</u>
Total Primary Government	<u>\$ 11,234,005</u>	<u>\$ 10,637,772</u>	<u>\$ 10,667,647</u>	<u>\$ 9,769,517</u>	<u>\$ 10,407,742</u>
Changes in Net Position					
Governmental Activities	\$ 1,492,295	\$ 1,840,743	\$ 3,500,378	\$ 1,135,129	\$ 2,069,396
Business-Type Activities	2,426,065	791,113	1,473,393	1,577,727	615,973
Total Primary Government	<u>\$ 3,918,360</u>	<u>\$ 2,631,856</u>	<u>\$ 4,973,771</u>	<u>\$ 2,712,856</u>	<u>\$ 2,685,369</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				
2016	2015	2014*	2013	2012
<u>\$ (10,515,892)</u>	<u>\$ (2,686,111)</u>	<u>\$ (11,670,343)</u>	<u>\$ (8,427,631)</u>	<u>\$ (9,663,480)</u>
<u>382,137</u>	<u>483,904</u>	<u>686,659</u>	<u>281,082</u>	<u>334,274</u>
<u>\$ 10,133,755</u>	<u>\$ 2,202,207</u>	<u>\$ 10,983,684</u>	<u>\$ 8,146,549</u>	<u>\$ 9,329,206</u>
\$ 4,281,047	\$ 4,124,649	\$ 3,881,293	\$ 3,802,650	\$ 3,646,058
1,541,476	1,472,150	1,530,005	1,523,672	1,380,015
289,401	312,705	340,664	-	-
582,290	588,643	531,148	536,417	545,157
54,156	55,209	48,590	46,550	47,126
26,306	21,422	18,792	16,443	16,427
402,406	413,458	355,218	344,761	336,607
1,626,188	1,633,639	1,615,275	1,375,680	1,382,828
20,668	5,060	34,076	8,337	4,259
160,660	230,285	266,429	84,632	104,107
359,159	163,426	740,948	52,813	11,052
403,250	158,727	97,101	(723,480)	376,226
<u>9,747,007</u>	<u>9,179,373</u>	<u>9,459,539</u>	<u>7,068,475</u>	<u>7,849,862</u>
-	-	-	-	50,000
1,380	1,367	1,391	1,067	1,079
19,628	2,110	4,283	10,113	4,663
<u>(403,250)</u>	<u>(158,727)</u>	<u>(97,101)</u>	<u>723,480</u>	<u>(376,226)</u>
<u>(382,242)</u>	<u>(155,250)</u>	<u>(91,427)</u>	<u>734,660</u>	<u>(320,484)</u>
<u>\$ 9,364,765</u>	<u>\$ 9,024,123</u>	<u>\$ 9,368,112</u>	<u>\$ 7,803,135</u>	<u>\$ 7,529,378</u>
\$ (768,885)	\$ 6,493,262	\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)
<u>(105)</u>	<u>328,654</u>	<u>595,232</u>	<u>1,015,742</u>	<u>13,790</u>
<u>\$ (768,990)</u>	<u>\$ 6,821,916</u>	<u>\$ (1,615,572)</u>	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</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						
2021	\$ 5,347,332	\$ 1,690,166	\$ 572,670	\$ 809,926	\$ 24,818	\$ 126,535	\$ 516,670	\$ 9,088,117
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

* 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				
	2021	2020	2019	2018	2017
General Fund					
Nonspendable	\$ 675,369	\$ 868,814	\$ 1,039,310	\$ 1,103,205	\$ 1,488,287
Restricted	150,000	-	-	-	-
Unassigned	<u>4,582,220</u>	<u>3,868,284</u>	<u>2,741,905</u>	<u>3,054,346</u>	<u>2,699,387</u>
Total General Fund	<u>\$ 5,407,589</u>	<u>\$ 4,737,098</u>	<u>\$ 3,781,215</u>	<u>\$ 4,157,551</u>	<u>\$ 4,187,674</u>
All Other Governmental Funds					
Nonspendable	\$ 47,182	\$ 13,522	\$ 868	\$ 857	\$ -
Restricted	14,298,080	5,005,983	5,158,087	7,205,823	4,456,249
Committed	2,450,830	1,845,860	-	-	-
Assigned	-	399,432	137,834	317,216	369,214
Unassigned	<u>(3,115,709)</u>	<u>(3,099,963)</u>	<u>(1,247,427)</u>	<u>(772,031)</u>	<u>(1,074,426)</u>
Total All Other Governmental Funds	<u>\$13,680,383</u>	<u>\$ 4,164,834</u>	<u>\$ 4,049,362</u>	<u>\$ 6,751,865</u>	<u>\$ 3,751,037</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				
2016	2015	2014*	2013	2012
\$ 1,475,134	\$ 1,607,122	\$ 109	\$ 86,910	\$ 86,949
<u>2,589,217</u>	<u>2,169,084</u>	<u>3,315,595</u>	<u>2,702,101</u>	<u>2,731,388</u>
<u>\$ 4,064,351</u>	<u>\$ 3,776,206</u>	<u>\$ 3,315,704</u>	<u>\$ 2,789,011</u>	<u>\$ 2,818,337</u>
\$ -	\$ -	\$ -	\$ 7,987	\$ 3,109
5,175,272	3,964,229	3,056,286	283,663	915,958
-	-	-	196,439	105,848
276,841	352,166	434,537	471,701	1,350,284
<u>(1,890,277)</u>	<u>(1,904,750)</u>	<u>(1,458,544)</u>	<u>(826,926)</u>	<u>(1,131,951)</u>
<u>\$ 3,561,836</u>	<u>\$ 2,411,645</u>	<u>\$ 2,032,279</u>	<u>\$ 132,864</u>	<u>\$ 1,243,248</u>

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

	Fiscal Year				
	2021	2020	2019	2018	2017
Revenues					
Taxes	\$ 9,119,247	\$ 8,548,108	\$ 8,394,837	\$ 7,879,672	\$ 7,547,706
Special assessments	315,004	651,737	432,854	671,972	626,722
Licenses and permits	629,305	515,126	410,133	569,826	470,642
Intergovernmental revenue	3,336,391	3,690,154	5,020,365	3,079,147	3,341,194
Charges for services	1,184,296	792,629	544,734	320,150	278,806
Fines and forfeits	18,253	18,564	26,399	29,495	28,220
Interest	(2,996)	40,483	100,900	18,486	10,183
Payment from Component Units	-	-	-	-	-
Other revenues	665,264	352,655	350,423	820,304	349,960
Total Revenues	15,264,764	14,609,456	15,280,645	13,389,052	12,653,433
Expenditures					
General government	911,449	875,453	815,356	740,530	782,884
Public safety	2,704,638	2,589,252	2,599,104	2,545,012	2,304,769
Public works	1,963,471	1,943,095	2,202,765	2,113,343	1,661,692
Culture and recreation	2,630,200	2,163,307	2,184,279	1,844,905	1,685,943
Housing and economic development	1,219,024	1,085,928	1,050,301	959,618	938,991
Miscellaneous	252,167	281,872	313,307	196,792	302,532
Capital outlay	5,041,747	5,628,524	8,933,625	4,322,925	1,373,968
Debt service					
Principal	3,850,000	4,595,000	2,512,000	2,077,000	4,232,000
Interest	525,912	658,126	577,111	623,902	623,082
Bond issuance costs	198,823	-	6,007	98,102	-
Total Expenditures	19,297,431	19,820,557	21,193,855	15,522,129	13,905,861
Deficiency of Revenues					
Under Expenditures	(4,032,667)	(5,211,101)	(5,913,210)	(2,133,077)	(1,252,428)
Other Financing Sources (Uses)					
Sale of capital assets	-	12,386	392,204	29,198	1,014,892
Transfers in	2,248,870	4,286,383	2,769,654	1,761,545	1,694,028
Debt issued	12,815,000	5,810,000	1,795,000	4,670,000	-
Premium (discount) on bonds issued	1,085,457	184,310	18,871	56,134	-
Payments to refunded bond escrow agent	-	-	-	-	-
Transfers out	(1,930,620)	(4,010,623)	(2,181,404)	(1,413,095)	(1,143,968)
Total Other Financing Sources (Uses)	14,218,707	6,282,456	2,794,325	5,103,782	1,564,952
Net Change in Fund Balances	\$ 10,186,040	\$ 1,071,355	\$ (3,118,885)	\$ 2,970,705	\$ 312,524
Debt service as a percentage of noncapital expenditures	31%	35%	24%	24%	38%

* 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				
2016	2015	2014*	2013	2012
\$ 7,151,989	\$ 7,054,778	\$ 6,696,431	\$ 6,264,476	\$ 5,976,295
1,081,990	1,856,215	1,133,696	1,252,603	928,169
360,412	448,871	357,809	388,769	526,752
3,274,720	6,540,969	2,331,472	2,949,485	2,679,783
242,214	199,242	134,075	166,102	164,332
31,247	27,578	20,068	21,599	27,172
20,668	5,060	34,217	8,337	3,708
-	-	-	(350,000)	(350,000)
387,790	713,594	782,761	616,150	774,640
<u>12,551,030</u>	<u>16,846,307</u>	<u>11,490,529</u>	<u>11,317,521</u>	<u>10,730,851</u>
752,144	839,835	785,958	992,041	927,260
2,183,726	2,120,907	2,071,637	2,209,974	2,171,535
1,684,396	1,784,547	1,880,130	1,707,461	1,776,726
1,682,465	1,485,325	1,397,997	1,327,214	1,522,910
858,799	863,831	1,005,448	705,627	223,016
288,787	358,907	250,780	116,638	110,127
3,184,584	9,065,255	3,463,555	2,430,920	5,242,222
2,322,000	3,380,567	3,147,726	2,136,130	2,440,000
707,537	959,390	746,813	620,370	688,637
37,015	83,173	68,148	-	16,348
<u>13,701,453</u>	<u>20,941,737</u>	<u>14,818,192</u>	<u>12,246,375</u>	<u>15,118,781</u>
<u>(1,150,423)</u>	<u>(4,095,430)</u>	<u>(3,327,663)</u>	<u>(928,854)</u>	<u>(4,387,930)</u>
352,874	166,105	740,948	52,813	-
1,310,607	1,167,614	1,768,333	1,835,086	1,001,497
1,800,000	4,590,000	2,845,000	-	1,000,423
32,635	127,443	131,790	-	-
-	-	-	(615,000)	-
<u>(907,357)</u>	<u>(1,115,864)</u>	<u>(1,707,977)</u>	<u>(1,514,507)</u>	<u>(642,331)</u>
<u>2,588,759</u>	<u>4,935,298</u>	<u>3,778,094</u>	<u>(241,608)</u>	<u>1,359,589</u>
<u>\$ 1,438,336</u>	<u>\$ 839,868</u>	<u>\$ 450,431</u>	<u>\$ (1,170,462)</u>	<u>\$ (3,028,341)</u>
29%	39%	32%	20%	25%

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
2021	\$7,068,628	\$ 572,670	\$ 809,926	\$ 516,670	\$ 24,818	\$ 126,535	\$9,119,247
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

* 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						
2021	\$ 10,522,487	\$ 3,975,419	\$ 262,856	\$ 464,654	\$ 14,296,108	48.827	\$ 1,284,577,400	1.15	%
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	

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	
2021	37.009 %	11.818	48.827 %	58.535 %	21.699 %	0.490 %	129.551 %
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

Source: Nicollet County Auditor

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

Table 9

Taxpayer	Type of Business	2021			2012		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 287,396	1	2.0 %	\$ 348,212	1	3.4 %
West Lake Holdings	Electric rotating equipment	168,176	2	1.2	123,326	2	1.2
Kato Engineering	Electric rotating equipment	131,772	3	0.9	-		-
Craig Theunick	Residential	126,361	4	0.9	-		-
Minnegasco	Public Utility	125,752	5	0.9	-		-
Costumes Galore	Costumes	124,836	6	0.9	-		-
Monarch Meadows	Residential	108,772	7	0.8	83,482	5	0.8
Carlson Wedding Service	Specialty printing	96,130	8	0.7	105,340	4	1.0
Corporate Graphics	Printing	95,298	9	0.7	83,258	6	-
Wis-Pak of Mankato	Bottling	94,596	10	0.7	110,632	3	1.1
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>\$ 1,359,089</u>		<u>9.7 %</u>	<u>\$ 1,133,047</u>		<u>10.2 %</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
2021	\$ 6,983,328	\$ 6,945,630	99.5 %	\$ -	\$ 6,945,630	99.5 %
2020	6,794,559	6,728,049	99.0	54,351	6,782,400	99.8
2019	6,683,838	6,640,464	99.4	36,987	6,677,451	99.9
2018	6,288,751	6,262,058	99.6	20,011	6,282,069	99.9
2017	5,910,292	5,873,818	99.4	33,730	5,907,548	100.0
2016	5,794,404	5,779,402	99.7	11,403	5,790,805	99.9
2015	5,596,414	5,560,815	99.4	33,615	5,594,430	100.0
2014	5,383,784	5,339,940	99.2	41,374	5,381,314	100.0
2013	5,383,784	5,335,125	99.1	48,069	5,383,194	100.0
2012	5,152,123	5,110,514	99.2	41,310	5,151,824	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
2021	\$ 7,438,785	\$ 1,151,187	\$ 11,396,867	\$ 10,721,280	\$ -	\$ -
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

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				
\$ 5,157,416	\$ 475,581	\$ 36,341,116	6.31 %	\$	2,546
5,732,598	588,472	27,056,255	4.86		1,917
6,494,736	707,410	26,602,949	4.94		1,892
5,972,881	812,559	26,915,603	5.20		1,934
9,075,484	928,980	27,513,464	5.48		1,981
9,488,786	1,045,401	32,729,109	6.75		2,369
10,601,119	1,148,513	34,463,662	7.44		2,532
5,441,648	1,855,614	30,647,333	6.86		2,267
6,016,600	1,919,760	30,247,040	6.97		2,237
6,578,565	1,983,906	31,975,384	7.62		2,375

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
2021	\$ 7,438,785	\$ 1,151,187	\$ 11,396,867	\$ 10,721,280	\$ 5,157,416	\$ 475,581
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

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

Total Primary Government	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 36,341,116	\$ 1,707,176	\$ 34,633,940	2.70 %	\$ 2,426
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

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City of North Mankato, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2021

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	\$ 30,708,119	100.00 %	\$ 30,708,119
Overlapping Debt			
Nicollet County	20,180,000	29.75	6,003,550
Blue Earth County	19,478,539	0.01	1,286
Independent School Dist. 77	88,159,771	19.73	17,393,923
Total overlapping debt	<u>127,818,310</u>		<u>23,398,759</u>
Total Direct and Overlapping Debt	<u><u>\$ 158,526,429</u></u>		<u><u>\$ 54,106,878</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Limit	\$ 38,537,322	\$ 37,864,869	\$ 34,035,306	\$ 33,338,358	\$ 29,220,384
Total Net Debt Applicable to Limit	<u>7,438,785</u>	<u>8,323,299</u>	<u>8,768,508</u>	<u>9,040,683</u>	<u>5,387,792</u>
Legal Debt Margin	<u>\$ 31,098,537</u>	<u>\$ 29,541,570</u>	<u>\$ 25,266,798</u>	<u>\$ 24,297,675</u>	<u>\$ 23,832,592</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	19.30%	21.98%	25.76%	27.12%	18.44%
 Total Estimated Market Value	 <u>\$ 1,284,577,400</u>				
Debt limit (3% of total assessed value)	38,537,322				
Debt applicable to limit:					
General obligation bonds	<u>7,438,785</u>				
Total net debt applicable to limit	<u>7,438,785</u>				
 Legal Debt Margin	 <u>\$ 31,098,537</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>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>
\$ 27,605,520	\$ 26,948,508	\$ 25,707,411	\$ 28,036,233	\$ 26,120,184
<u>5,951,991</u>	<u>5,991,378</u>	<u>8,169,700</u>	<u>5,526,338</u>	<u>2,638,766</u>
<u><u>\$ 21,653,529</u></u>	<u><u>\$ 20,957,130</u></u>	<u><u>\$ 17,537,711</u></u>	<u><u>\$ 22,509,895</u></u>	<u><u>\$ 23,481,418</u></u>
21.56%	22.23%	31.78%	19.71%	10.10%

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 ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
				Principal	Interest	Total	
2021	\$7,585,971	\$4,293,782	\$3,292,189	\$1,682,960	\$ 140,684	\$1,823,644	1.81
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

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
2021	14,275	\$ 575,967,700	\$ 40,348	36.1	8,259	2.1 %
2020	14,114	557,206,606	39,479	37.7	8,420	4.1
2019	14,059	538,867,411	38,329	38.0	8,685	2.6
2018	13,914	517,781,682	37,213	38.0	8,508	2.5
2017	13,889	501,795,681	36,129	38.4	8,396	2.6
2016	13,813	484,518,601	35,077	38.9	8,381	2.4
2015	13,610	463,488,550	34,055	36.8	8,076	3.2
2014	13,520	447,011,760	33,063	37.7	7,718	2.6
2013	13,520	433,992,000	32,100	35.5	7,598	4.1
2012	13,462	419,543,230	31,165	35.5	7,354	4.4

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 average. 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

	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Taylor Companies (various subsidiaries)	2,539	1	4.6 %	2,000	1	3.7 %
Mayo Clinic Health System (Formerly ISJ Hospital)	1,871	2	3.4	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	2.6	1,450	4	2.7
Mankato Clinic	689	5	1.2	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	0.5	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>18.5 %</u>	<u>10,457</u>		<u>19.2 %</u>
Total City Employment	<u>55,300</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				
	2021	2020	2019	2018	2017
General Government	5.0	5.0	4.8	3.8	3.5
Community Development	2.5	2.5	1.6	2.5	2.0
Public Safety					
Police					
Officers	15.0	14.0	15.0	15.0	14.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	3.0	3.3	3.3	3.3	4.0
Public Works					
Maintenance	9.8	9.8	10.8	10.6	9.3
Culture and Recreation					
Parks	5.8	4.8	5.8	5.3	5.0
Library	6.5	6.5	8.0	8.5	7.0
Swim Facility	0.8	0.8	1.0	-	-
Water	7.3	6.8	6.9	6.6	6.3
Sewer	5.1	4.6	4.6	3.6	2.5
Storm Water	1.8	1.2	1.2	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>66.6</u>	<u>63.3</u>	<u>67.0</u>	<u>64.2</u>	<u>58.6</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2016	2015	2014	2013	2012
4.0	9.5	9.5	10.5	11.5
2.0	-	-	-	-
13.0	14.0	13.0	13.0	13.0
1.5	1.5	1.5	1.5	1.5
4.0	4.0	4.0	4.0	4.0
8.3	10.0	10.0	10.0	10.0
4.8	4.0	5.0	5.0	5.0
6.5	5.5	5.5	6.5	6.5
-	-	-	-	-
6.6	5.0	5.0	6.0	6.0
4.6	2.0	2.0	2.0	2.0
1.0	-	-	-	-
1.5	-	-	-	-
1.0	1.5	1.5	1.5	1.5
58.8	57.0	57.00	60.0	61.0

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

Function	Fiscal Year				
	2021	2020	2019	2018	2017
Police					
Physical arrests	-	-	-	-	-
Reports of service	7,841	8,377	8,570	8,479	8,013
Accidents	187	174	237	233	195
Police reserve volunteer hours	1,183	1,044	1,376	1,322	1,632
Educational programs	7	8	30	37	39
Fire					
Number of calls answered	140	139	128	137	109
Public Works					
Street seal coating (miles)	9.0	11.0	12.0	8.0	5.0
Solid Waste					
Refuse collected (tons)	3,645	3,830	3,589	3,422	3,412
Culture and Recreation					
Swim facility attendance	46,054	42,072	21,345	11,082	13,331
Library circulation (items checked out)	105,297	107,908	153,556	158,473	163,075
Bookmobile circulation	13,841	5,638	18,217	18,238	18,518
Electronic circulation	21,648	-	-	-	-
Water					
Total connections	7,427	7,238	7,107	7,021	6,970
Average daily consumption (thousands of gallons)	1,334	1,346	1,222	1,208	1,236

Sources: Various City departments.

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

Table 19

Fiscal Year				
2016	2015	2014	2013	2012
-	836	796	731	707
6,797	-	-	-	-
216	220	220	196	171
1,002	1,200	1,118	1,480	1,318
26	24	16	18	14
95	104	141	100	126
9.0	7.0	7.2	7.8	6.6
3,379	3,466	3,433	3,510	3,331
15,663	15,095	14,764	17,456	20,114
158,001	173,761	243,675	251,467	266,163
28,117	21,796	29,667	39,309	39,309
-	-	-	-	-
6,903	6,921	6,682	6,572	6,480
1,185	1,250	1,442	1,326	1,463

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

Function	Fiscal Year				
	2021	2020	2019	2018	2017
General Government					
Planning and zoning					
Building permits issued	1,625	1,470	1,296	1,142	1,168
Public Safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	15	14	15	15	14
Volunteer police reserves	20	17	16	16	15
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	33	34	36	36	30
I.S.O. Rating	4	4	4	4	4
Public Works					
Street division					
Miles of street	110.00	95.00	83.00	77.73	77.73
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	2	5
Soccer fields	5	5	5	5	13
Softball diamonds	13	13	13	13	11
Swimming facility	1	1	1	1	1
Tennis courts	8	8	8	8	8
Volleyball courts	11	8	8	8	9
Utilities					
Municipal water					
Connections	7,427	7,238	7,107	7,021	6,970
Average daily consumption (thousands of gallons)	1,334	1,346	1,222	1,208	1,236
Maximum daily consumption (thousands of gallons)	2,638	2,307	2,749	2,120	2,386

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2016	2015	2014	2013	2012
1,104	946	916	980	1,574
1	1	1	1	1
13	14	13	13	13
19	15	15	18	17
2	2	2	2	2
32	35	36	34	35
4	4	4	4	4
77.00	77.00	77.00	77.00	77.06
5	5	5	5	6
21	21	21	21	21
278	278	278	251	251
14	14	14	14	14
8	8	8	8	8
12	12	12	13	12
6	6	6	6	6
5	5	5	5	5
13	13	13	10	10
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,903	6,854	6,682	6,572	6,480
1,185	1,250	1,442	1,326	1,463
3,259	2,680	2,480	2,412	3,030

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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2022.

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
Mankato, Minnesota
June 8, 2022

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2022.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, 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 and Responses as item 2021-002 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 and Responses as item 2021-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with Government Auditing Standards.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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
Mankato, Minnesota
June 8, 2022



City of North Mankato, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Preparation of Financial Statements
<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 and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-002	Material Audit Adjustments
<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">• To adjust various capital asset activity.• To adjust various bond issuances.• To record additional payable balances.
<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.