

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

PREPARED BY:

FINANCE DEPARTMENT

KEVIN MCCANN
Finance Director

Member GFOA of U.S. and Canada
Published June 29, 2020

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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June 29, 2020

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

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2019.

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

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2019 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, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The unemployment rate is 2.6 percent which represents a slight increase from the previous year rate of 2.5 percent. 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 61,251 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 2019 for 24 single family homes and two four unit apartment buildings totaling eight units at a total value of \$8,636,395. The market value of all new and remodeled residential, commercial and industrial permits in fiscal year 2019 was \$22,148,147. The residential development continues to take advantage of existing inventory and 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 2019 the outstanding balance was \$895,204. Complete payment of this interfund loan will be made in 2023.

New and Major Developments

- Sale of 5 acres of land to D&K Powder Coating (powder coating finishes) for future expansion
- Development of a 18,000 square foot warehouse addition to the Creative Companies
- Residential development consisting of 9 new single family lots in the Reserve Phase 3, 23 new single family lots in the Reserve Phase 4, and 8 lots in Burnett's Ravine Ridge No. 6.

2019 Five-Year Capital Improvement Plan Projects

2019 Tyler Ave. Project - This project consists of complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Tyler Ave. from Range St. to Cross St at a cost of \$590,000. The project will be financed using general obligation bonds and paid from special assessments and the property tax levy.

2019 Commerce Dr. Project - This project consists of complete reconstruction of sidewalk, trail, curb, gutter, and street surfaces along Commerce Dr. from Lor Ray Dr. to Lookout Dr. at cost of \$3,600,000. The project will be financed using Federal and State transit dollars and the balance using general obligation bonds and paid from special assessments and the property tax levy.

2019 North Ridge Ravine Project – This project consists of improving a natural ravine waterway with large, oversized storm water piping from Pleasant View Dr. 800' down the ravine at a cost of \$800,000. This project will be financed using general obligation utility revenue bonds.

2019 Sewer Improvements – This project consists of improving the Carol Court Force main for \$230,000 and installing a deep sewer trunk service line in the Reserve Subdivision for \$279,000. This project will be financed using general obligation utility revenue bonds.

Swim Facility Project - This project consists of complete reconstruction of Spring Lake Park Swim Facility and the addition of a warming house to the existing bathhouse structure. The design work began in 2017 with construction beginning in the fall of 2018 and ending in the fall of 2019. The total project is projected to cost \$3,922,000. Pool heaters were added to the project for \$265,000. The overall project will be financed using general obligation tax abatement bonds and paid from the property tax levy. The pool heaters will be financed using general obligation equipment certificates.

2020 Monroe Ave. Project - This project is in the early design phase in 2019 for the complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Monroe Ave. from Range St. to Center St. at a cost of \$1,200,000 in the summer of 2020. The project will be financed using State-Aid transit dollars and the balance using general obligation bonds and paid from special assessments and the property tax levy.

2020 Dakota Meadows Safe Routes to School Project - This project is in the early design phase in 2019 for the installation of a new trail from Howard Dr. to Carlson Dr. and street surface improvements along Howard Dr. from approximately Lor Ray Dr. to Lookout Dr. at a cost of \$1,210,000 in the summer of 2020. The project will be financed using State-Aid transit dollars and the balance using general obligation bonds and paid from special assessments and the property tax levy.

Equipment

The Five-Year Capital Improvement Plan calls for the replacement of \$4.5 million dollars of equipment to be funded with cash contributions from the City's General fund, Capital Facilities and Equipment Replacement fund, and utility funds.

Internal Accounting Controls

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

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

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

Relevant Financial Policies

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of North Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the thirty-second (32nd) year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable requirements.

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

Respectfully submitted,



John Harrenstein
City Administrator



Kevin McCann
Finance Director

City of North Mankato, Minnesota
Principal City Officials
For the Year Ended December 31, 2019

MAYOR: *Mark Dehen*

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

CITY ADMINISTRATOR: *John Harrenstein*

FINANCE DIRECTOR: *Kevin McCann*

CITY CLERK: *April Van Genderen*

POLICE CHIEF: *Ross Gullickson*

FIRE CHIEF: *Dan Giefer*

PUBLIC WORKS DIRECTOR: *Nate Host*

WATER SUPERINTENDENT: *Duane Rader*

BUILDING OFFICIAL: *Tom Krause*

LIBRARY DIRECTOR: *Katie Heintz*

CITY PLANNER: *Mike Fischer*

CITY ATTORNEY: *Kennedy and Kennedy*

CONSULTING ENGINEER: *Bolton & Menk*

AUDITOR: *Abdo, Eick & Meyers, LLP*

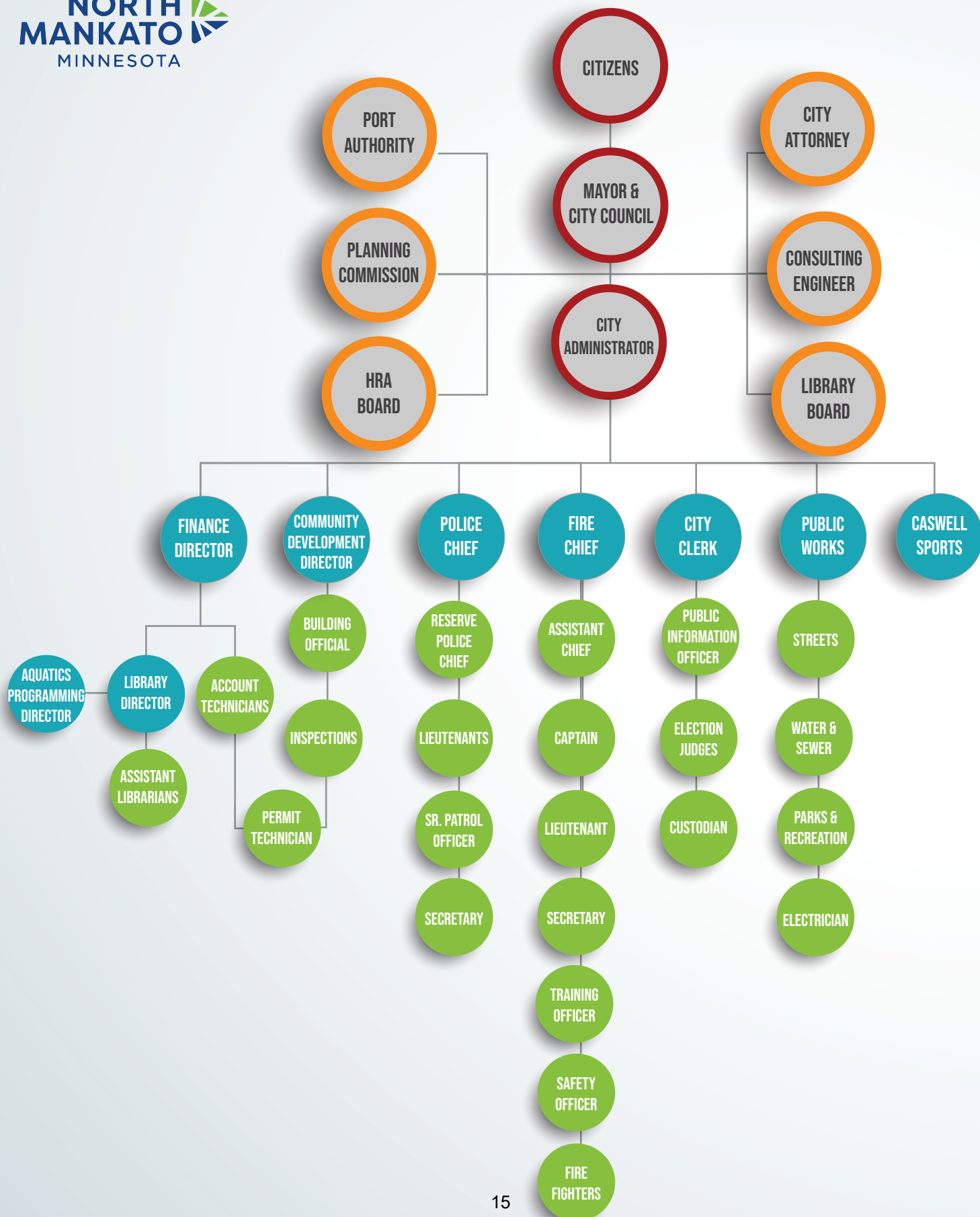
BOND COUNSEL: *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

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

CITY OF NORTH MANKATO

ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of North Mankato
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Change in Accounting Standards

As described in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

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

Other Information

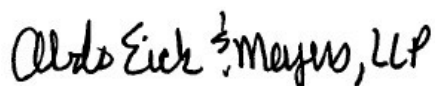
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of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

The combining and individual fund financial statements, schedules, statistical section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2020

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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, 2019. 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 11 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 \$63,697,557 (*net position*). Of this amount, a balance of \$1,571,452 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 \$4,973,771 as compared to an increase of \$2,712,856 in the previous year.
- Governmental activities revenues increased by \$3,327,117 due to the following:
 - Charges for service increased by \$141,739 mainly related to an increase of \$212,832 increase in culture and recreation related to increased activity at the Caswell Sports Complex and the newly remodeled swim facility, and an increase of \$73,698 in housing an economic development mainly related to conduit debt issuance fees collected.
 - Operating grants and contributions increased by \$32,754 due to the additional revenue from Civic and Commerce related to the 2019 Fun Days fireworks display, an increase in contributions from Nicollet County toward the Taylor Library, and contributions toward the Taylor Library Endowment Fund activities,
 - Capital grants and contributions increased by \$2,284,204 related mainly to the State and Federal funds received toward the Commerce Dr. Improvement Project. Also, related to an increase of \$321,755 in public works related to a FEMA reimbursement for the Northridge Dr. repairs
 - Property tax/ tax increment revenue increased by \$364,609 due to an increase in the property tax collection of \$361,522 and an increase in tax increment collections by \$3,087.
 - Other taxes increased by \$124,949 mainly due to an increase in sales tax collections by \$95,772 and a decrease in hotel/motel taxes by \$17,860.
 - Unrestricted investment earnings increased by \$82,414 due to setting up a high-yield sweep account for tied to the City's main checking account.
 - Gain on sale of capital assets increased by \$305,106 mainly due to the sale of five acres of land to D&K Powder Coating in 2019 compared to a lack of any land sales in 2018.

- Governmental activity expenses increased by \$1,298,035 due to the following:
 - General government expenses increased by \$112,023 related mainly to an increase in staffing and legal costs associated with Huntley-Wilmarth Project,.
 - Public safety expenses increased by \$210,984 due to increased staffing costs increases in capital outlay in 2019 related to additional vehicles and renovations at the police station, and legal costs associated with Huntley-Wilmarth Project.
 - Public works expenses increased by \$327,019 mainly due to increased part-time staffing, additional street repair and maintenance items, the Highway 169 Flood Control costs, and the Commerce Dr. and Tyler Ave. street projects
 - Culture and Recreation had an increase of \$526,700 due to increased staffing costs and additional expenses at Caswell Park and the newly remodeled Swim Facility, along with the substantial completion of the Swim Facility Renovation Project.
 - Housing and economic development expenses increased \$150,599 mainly due to the increase in property taxes from the land purchased in 2018 and increases in professional services due to land sales in the North Port Industrial Park and future TIF districts.
 - Mass transit and other increased by \$116,515 due to the timing of mass transit billings from Mankato Transit, expenses related to the Ruby Ride pilot, and the 2019 Fun Days Fireworks Display.
 - Interest on long-term debt decreased by \$145,805 due to the retirement of debt.
- Business-type activities revenues increased by \$874,108 mainly due to the Business Development Public Infrastructure (BDPI) Grant from the Minnesota Department of Employment and Economic Development (DEED) and private development infrastructure contributions from the North Gate and Trails West Estates subdivisions totaling \$747,046 and an increase in charges for services of \$100,529 mainly related to the increase collections of water and sewer revenue and the \$1/month recycling rate increase .
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,830,577, a decrease of \$3,118,885 in comparison with the prior year. Major factors contributing to this decrease relates to General fund balance decreasing as noted above, the spending of 2018 bond proceeds related to the swim facility completion in 2019, and other financing sources exceeding debt service expenditures in the Debt Service fund. However, the 2015 and 2019 Construction fund deficits continued during the year was caused by the State advancing Municipal State Aid Funds for Streets that were received in cash by the City in and prior to 2019, but will not be recognized as revenue until available in future years. At the end of the current fiscal year, unassigned fund balance was \$1,494,478.

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

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

The diagram illustrates the components of financial statements, categorized into Summary and Detail. It features two rows of boxes, each with a triangular roof above them. The top row, under the 'Summary' category, includes 'Management's Discussion and Analysis', 'Basic Financial Statements', and 'Required Supplementary Information'. The bottom row, under the 'Detail' category, includes 'Government-wide Financial Statements', 'Fund Financial Statements', and 'Notes to the Financial Statements'. Dotted lines connect the boxes between the two rows, indicating relationships and interdependencies.

Summary	Detail
Management's Discussion and Analysis	Government-wide Financial Statements
Basic Financial Statements	Fund Financial Statements
Required Supplementary Information	Notes to the Financial Statements

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 and miscellaneous. The business-type activities of the City include water, sewer, recycling, storm water and solid waste.

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

The government-wide financial statements can be found starting on page 37 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains numerous individual governmental funds, which includes various individual Debt Service bond funds that are considered one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, the 2017 Construction fund and the 2019 Construction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 42 of this report.

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

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

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

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

The basic fiduciary fund financial statements can be found starting on page 53 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 94 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 104 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 exceeded liabilities by \$63,697,557 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (84.4 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Current and Other Assets	\$ 15,498,254	\$ 17,665,296	\$ (2,167,042)	\$ 3,625,659	\$ 2,907,678	\$ 717,981
Net Capital Assets	50,739,530	44,622,709	6,116,821	29,511,641	27,727,690	1,783,951
Total Assets	66,237,784	62,288,005	3,949,779	33,137,300	30,635,368	2,501,932
Deferred Outflows of Resources	1,943,956	2,082,549	(138,593)	133,569	105,552	28,017
Long-term Liabilities						
Outstanding	23,332,135	20,742,024	2,590,111	8,148,327	6,905,905	1,242,422
Other Liabilities	1,945,217	4,217,500	(2,272,283)	887,113	1,027,487	(140,374)
Total Liabilities	25,277,352	24,959,524	317,828	9,035,440	7,933,392	1,102,048
Deferred Inflows of Resources	3,311,556	3,358,622	(47,066)	130,704	176,196	(45,492)
Net Position						
Net investment in capital assets	31,159,895	27,823,936	3,335,959	22,608,155	20,942,250	1,665,905
Restricted	8,358,055	8,142,886	215,169	-	-	-
Unrestricted	74,882	85,586	(10,704)	1,496,570	1,689,082	(192,512)
Total Net Position	\$ 39,592,832	\$ 36,052,408	\$ 3,540,424	\$ 24,104,725	\$ 22,631,332	\$ 1,473,393

An additional portion of the City's net position (13.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (2.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased the City's net position by \$3,500,378, accounting for 70.4 percent of the total increase. Key elements of this change are as follows:

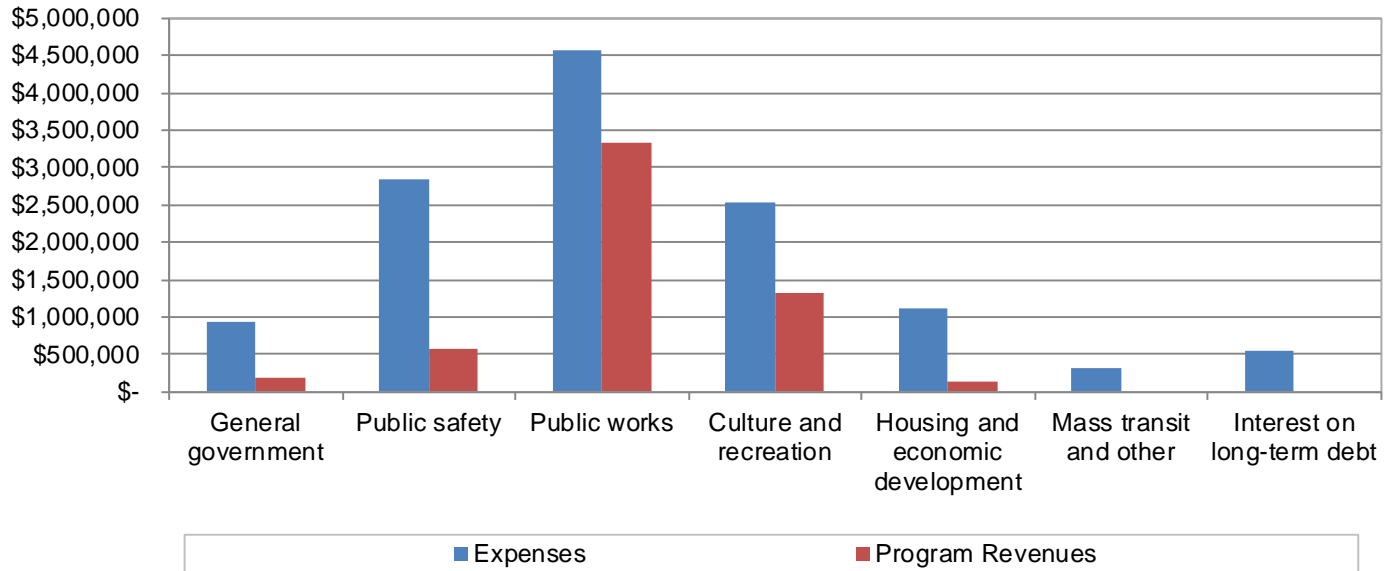
City of North Mankato's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,183,797	\$ 1,042,058	\$ 141,739	\$ 6,079,500	\$ 5,978,971	\$ 100,529
Operating grants and contributions	541,467	508,713	32,754	1,413	4,590	(3,177)
Capital grants and contributions	3,819,942	1,535,738	2,284,204	995,009	247,963	747,046
General Revenues						
Property taxes/tax increments	7,109,972	6,745,363	364,609	-	-	-
Other taxes	1,280,606	1,155,657	124,949	-	1,333	(1,333)
Grants and contributions not restricted to specific programs	1,742,876	1,744,328	(1,452)	-	-	-
Unrestricted investment earnings	100,900	18,486	82,414	40,635	9,592	31,043
Other	77,454	84,660	(7,206)	-	-	-
Gain on sale of capital assets	315,204	10,098	305,106	-	-	-
Total Revenues	<u>16,172,218</u>	<u>12,845,101</u>	<u>3,327,117</u>	<u>7,116,557</u>	<u>6,242,449</u>	<u>874,108</u>
Expenses						
General government	947,318	835,295	112,023	-	-	-
Public safety	2,832,027	2,621,043	210,984	-	-	-
Public works	4,567,564	4,240,545	327,019	-	-	-
Culture and recreation	2,537,701	2,011,001	526,700	-	-	-
Housing and economic development	1,107,339	956,740	150,599	-	-	-
Mass transit and other	313,307	196,792	116,515	-	-	-
Interest on long-term debt	562,224	708,029	(145,805)	-	-	-
Water	-	-	-	1,770,227	1,600,645	169,582
Sewer	-	-	-	2,144,941	1,778,232	366,709
Recycling	-	-	-	508,239	401,010	107,229
Storm water	-	-	-	311,100	330,787	(19,687)
Solid waste	-	-	-	713,017	694,575	18,442
Total Expenses	<u>12,867,480</u>	<u>11,569,445</u>	<u>1,298,035</u>	<u>5,447,524</u>	<u>4,805,249</u>	<u>642,275</u>
Increase (Decrease) in Net Position						
Before Transfers	3,304,738	1,275,656	2,029,082	1,669,033	1,437,200	231,833
Transfers	<u>195,640</u>	<u>(140,527)</u>	<u>336,167</u>	<u>(195,640)</u>	<u>140,527</u>	<u>(336,167)</u>
Change in Net Position	3,500,378	1,135,129	2,365,249	1,473,393	1,577,727	(104,334)
Net Position - January 1	36,052,408	34,917,279	1,135,129	22,631,332	21,053,605	1,577,727
Prior Period Restatement (Note 11)	<u>40,046</u>	<u>-</u>	<u>40,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - December 31	<u>\$ 39,592,832</u>	<u>\$ 36,052,408</u>	<u>\$ 3,540,424</u>	<u>\$ 24,104,725</u>	<u>\$ 22,631,332</u>	<u>\$ 1,473,393</u>

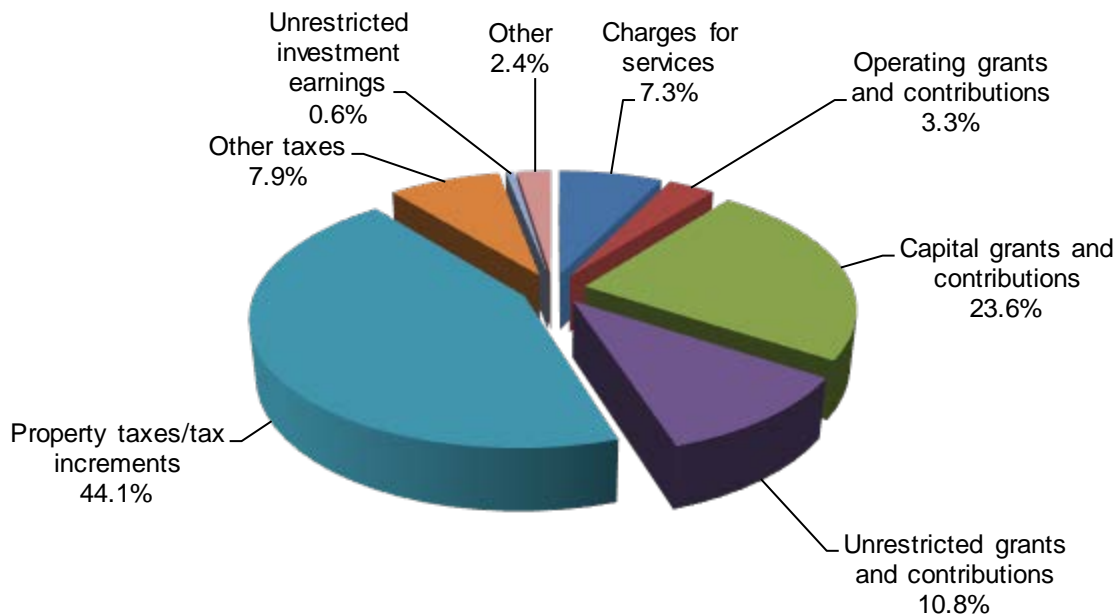
* GASB Statement No. 84 was implemented for the year ended December 31, 2019 and required a \$40,046 restatement of beginning governmental net position related to custodial activities. Prior year amounts were not restated causing a variance in ending net position at December 31, 2018 and beginning net position on January 1, 2019. See Note 11 to the financial statements for further information.

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

Expenses and Program Revenues - Governmental Activities



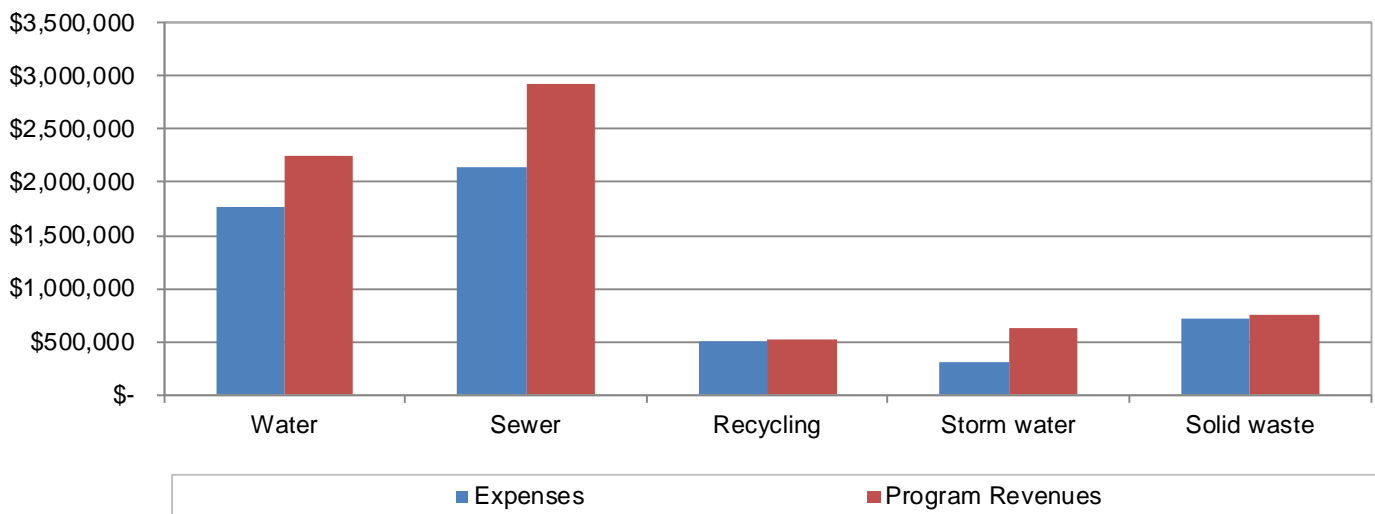
Revenues by Source - Governmental Activities



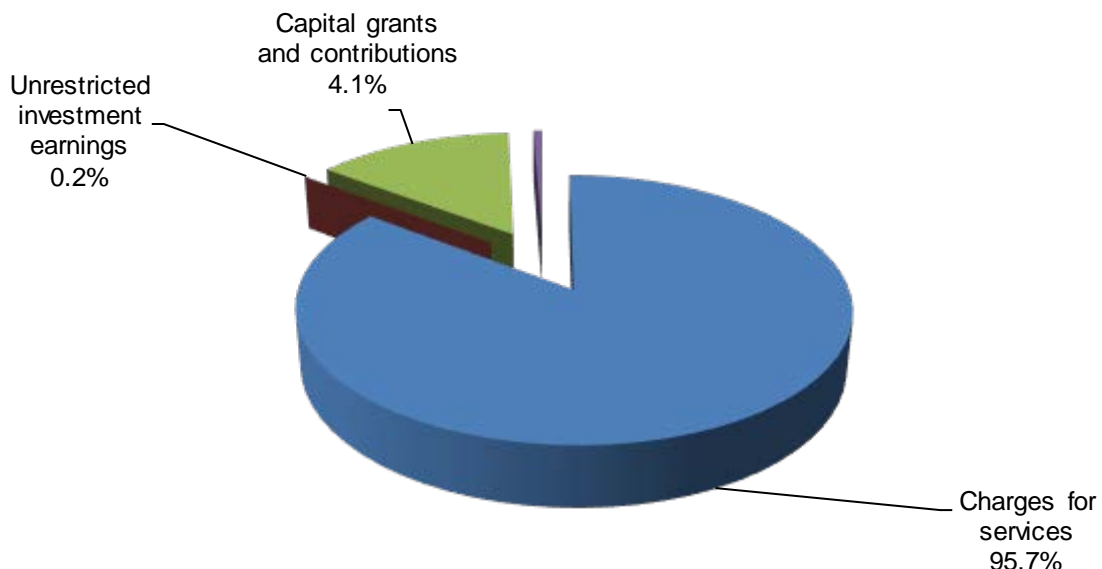
Business-type Activities. Business-type activities increased the City's net position by \$1,473,393. Key elements of this change are as follows:

- Total operating income was \$763,791, a decrease of \$535,690 from the prior year, mainly due to an increase in operating expenses of \$658,817 which is largely attributed to an increase in retirement account liability changes and services and charges related to non-capitalizable costs associated with the North Port Industrial West Utility Project and legal costs associated with Huntley-Wilmarth Project in the water fund, an increase in staffing and professional services associated with Huntley-Wilmarth project in the sewer fund, and an increase in recycling transfer and disposal costs.
- Total nonoperating expenses exceeded nonoperating revenues by \$89,767, mostly consisting of bond interest and issuance costs.
- Transfers out totaled \$618,250 and transfers in totaled \$30,000 for 2019.
- The remaining increase in net position was due to \$1,387,619 in capital contributions mainly due to the North Gate and Trails West Estates 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 \$3,781,215, 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 30.0 percent of total General fund expenditures, while total fund balance represents 41.4 percent of that same amount.

The *General fund* balance decreased by \$376,336 during the current year. Major factors of the decrease in the fund balance of the City's General fund was due to revenues exceeding budget by \$360,635 and expenditures exceeding budget by \$636,700. Intergovernmental revenues were over budget by \$361,330 due to a FEMA reimbursement related to the Northridge Dr. repairs. Charges for service were over budget by \$63,746 related to the increase sale of swim passes and swim facility concessions. Public works expenditures were over budget by \$536,987 mainly due to unplanned street maintenance on Northridge Dr. and various patching around town, the Highway 169 Flood Control certification, and additional part-time staff hired. Culture and recreation expenditures were over budget by \$57,694 mainly due to increased management staffing at the swim facility, concessions staffing and merchandise costs, chemicals related to the new facility.

The *Debt Service fund* has a total fund balance of \$1,423,826. There was an increase of \$37,059 in the current year, partially increased street construction aid and transfers from other funds.

The *2017 Construction fund* has a total fund balance deficit of \$21,179. There was a decrease of \$2,265,211 resulting from the spend down of previously unspent bond proceeds.

The *2019 Construction fund* has a total fund balance of deficit of \$190,578. There was a decrease of \$140,662 resulting from capital expenditures exceeding currently available project funding and overdrawn MSA dollars.

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

Unrestricted net position of the Water, Sewer, Recycling, Storm Water and Solid Waste funds at the end of the year totaled \$1,496,570. The total increase in net position in the current year for these funds totaled \$1,473,393.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year to reflect additional transfer activity. Revenues were over budget by \$360,635 and expenditures were over budget by \$636,700. Other financing sources (uses) had a negative variance of \$146,599. The net result was a decrease to the General fund balance of \$376,336.

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, 2019 amounts to \$80,251,171 (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 10.9 percent.

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

- Land disposals totaling \$133,751 related to a land sale in the North Port Industrial Park to D&K Powdercoating.
- Land acquisitions totaling \$305,300 with land purchased from Burnett Properties and final contract for deed payments in the downtown.
- Building and improvement totaling \$1,573,108 related to the Trails West and North Gate No. 3 private developments, the Spring Lake Park restroom, Caswell fencing, and Police improvements
- Equipment and vehicle purchases of \$638,981, including, but not limited to, new squad car, asphalt zipper, mini excavator, Community Development truck, two new mowers, public art, furniture, and software, . Disposals during the year totaled \$141,753.
- Improvements totaling \$9,473,542 were added to construction in progress for various projects including, but not limited to, the Spring Lake Park warming house project, the swim facility project, Commerce Dr. and Tyler Avenue reconstruction projects, Benson Park improvements, and the North Ridge Ravine Project. The Spring Lake Park Restroom and the 2019 street improvements were completed in 2019.

Additional information on the City's capital assets can be found in Note 3C starting on page 67 of this report.

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

	Governmental Activities			Business-type Activities		
	2019	Restated 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 4,930,734	\$ 4,759,185	\$ 171,549	\$ 606,061	\$ 606,061	\$ -
Buildings and Improvements	33,010,092	34,312,391	(1,302,299)	25,181,721	25,284,196	(102,475)
Machinery and Equipment	2,676,068	2,640,645	35,423	1,012,483	872,731	139,752
Construction in Progress	10,122,636	2,910,488	7,212,148	2,711,376	964,702	1,746,674
Total	<u>\$ 50,739,530</u>	<u>\$ 44,622,709</u>	<u>\$ 6,116,821</u>	<u>\$ 29,511,641</u>	<u>\$ 27,727,690</u>	<u>\$ 1,783,951</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,196,300. Of this amount, \$8,560,000 comprises debt backed by the full faith and credit of the City and \$940,000 is tax increment bonds and \$8,820,000 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 \$7,876,300.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Bonds	\$ 8,560,000	\$ 8,810,000	\$ (250,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	940,000	1,045,000	(105,000)	-	-	-
G.O. Improvement Bonds	8,240,000	7,895,000	345,000	580,000	670,000	(90,000)
General Obligation Revenue Bonds	1,380,000	1,795,000	(415,000)	6,496,300	5,975,322	520,978
Contracts Payable	-	292,000	(292,000)	-	-	-
Total	<u>\$ 19,120,000</u>	<u>\$ 19,837,000</u>	<u>\$ (717,000)</u>	<u>\$ 7,076,300</u>	<u>\$ 6,645,322</u>	<u>\$ 430,978</u>

The City's total debt decreased by \$286,022 (1.1 percent) during the current fiscal year, consisting of new debt issuances of \$3,065,000 and retirement of long-term debt of \$3,351,022. The City maintained an "AA" rating from Standard and Poor's for their 2019 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 \$25,266,798, 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 71 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2019 unemployment rate for the City was 2.3 percent, which is a slight decrease from a rate of 2.6 percent a year ago. This compares favorably to the State's average unemployment rate of 3.5 percent and the national average rate of 3.4 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2019 for taxes payable in 2020 by \$1,059,037, or 8.6 percent. Market value of property has increased an average of 4.6 percent per year for the past 5 years.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

Requests for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of North Mankato, Minnesota
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 8,400,921	\$ 2,432,179	\$ 10,833,100
Receivables			
Taxes	96,481	-	96,481
Accounts	165,427	492,599	658,026
Notes, mortgages and leases	940,691	-	940,691
Special assessments	3,122,894	203,995	3,326,889
Intergovernmental	1,743,320	5,765	1,749,085
Internal balances	(425,195)	425,195	-
Inventories	-	65,785	65,785
Prepaid items	10,531	141	10,672
Land held for resale	1,096,305	-	1,096,305
Net pension asset	346,879	-	346,879
Capital assets			
Nondepreciable assets	15,053,370	3,317,437	18,370,807
Depreciable assets net of accumulated depreciation	35,686,160	26,194,204	61,880,364
Total Assets	66,237,784	33,137,300	99,375,084
Deferred Outflows of Resources			
Deferred pension resources	1,692,448	49,310	1,741,758
Deferred other postemployment benefit resources	251,508	84,259	335,767
Total Deferred Outflows of Resources	1,943,956	133,569	2,077,525
Liabilities			
Accounts payable	959,296	719,653	1,678,949
Contracts payable	234,156	46,419	280,575
Due to other governments	90,173	39,942	130,115
Accrued interest payable	167,626	27,615	195,241
Accrued wages payable	187,191	53,484	240,675
Unearned revenue	306,775	-	306,775
Noncurrent liabilities			
Due within one year	2,459,360	906,909	3,366,269
Due in more than one year	17,595,263	6,410,291	24,005,554
Net pension liability	2,608,997	607,165	3,216,162
Other postemployment benefits liability	668,515	223,962	892,477
Total Liabilities	25,277,352	9,035,440	34,312,792
Deferred Inflows of Resources			
Deferred pension resources	2,172,691	123,992	2,296,683
Deferred other postemployment benefit resources	20,033	6,712	26,745
Advance from other governments	1,118,832	-	1,118,832
Total Deferred Inflows of Resources	3,311,556	130,704	3,442,260
Net Position			
Net investment in capital assets	31,159,895	22,608,155	53,768,050
Restricted			
Debt service	4,623,794	-	4,623,794
Charitable gambling	66,863	-	66,863
Library programs	51,737	-	51,737
Park development	5,866	-	5,866
Park improvements	255,221	-	255,221
Economic development	3,249,459	-	3,249,459
Tax increment financing	105,115	-	105,115
Unrestricted	74,882	1,496,570	1,571,452
Total Net Position	\$ 39,592,832	\$ 24,104,725	\$ 63,697,557

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 947,318	\$ 170,602	\$ 10,525	\$ -
Public safety	2,832,027	321,227	244,438	-
Public works	4,567,564	8,765	184,164	3,137,356
Culture and recreation	2,537,701	534,100	102,340	682,586
Housing and economic development	1,107,339	149,103	-	-
Mass transit and other	313,307	-	-	-
Interest on long-term debt	562,224	-	-	-
Total Governmental Activities	<u>12,867,480</u>	<u>1,183,797</u>	<u>541,467</u>	<u>3,819,942</u>
Business-type Activities				
Water	1,770,227	2,000,861	798	246,569
Sewer	2,144,941	2,397,950	458	523,241
Recycling	508,239	523,719	34	-
Storm water	311,100	405,414	31	225,199
Solid waste	713,017	751,556	92	-
Total Business-type Activities	<u>5,447,524</u>	<u>6,079,500</u>	<u>1,413</u>	<u>995,009</u>
Totals	<u>\$ 18,315,004</u>	<u>\$ 7,263,297</u>	<u>\$ 542,880</u>	<u>\$ 4,814,951</u>

General Revenues

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Prior Period Restatement (Note 11)

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
\$ (766,191)		\$ (766,191)
(2,266,362)		(2,266,362)
(1,237,279)		(1,237,279)
(1,218,675)		(1,218,675)
(958,236)		(958,236)
(313,307)		(313,307)
(562,224)		(562,224)
<u>(7,322,274)</u>		<u>(7,322,274)</u>
	\$ 478,001	478,001
	776,708	776,708
	15,514	15,514
	319,544	319,544
	38,631	38,631
	<u>1,628,398</u>	<u>1,628,398</u>
<u>(7,322,274)</u>	<u>1,628,398</u>	<u>(5,693,876)</u>
5,162,362	-	5,162,362
1,568,790	-	1,568,790
378,820	-	378,820
679,665	-	679,665
19,596	-	19,596
98,782	-	98,782
482,563	-	482,563
1,742,876	-	1,742,876
100,900	40,635	141,535
77,454	-	77,454
315,204	-	315,204
195,640	(195,640)	-
<u>10,822,652</u>	<u>(155,005)</u>	<u>10,667,647</u>
3,500,378	1,473,393	4,973,771
36,052,408	22,631,332	58,683,740
<u>40,046</u>	<u>-</u>	<u>40,046</u>
<u>\$ 39,592,832</u>	<u>\$ 24,104,725</u>	<u>\$ 63,697,557</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, 2019

City of North Mankato, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

			Capital Projects	
	General	Debt Service	2017 Construction	2019 Construction
Assets				
Cash and temporary investments	\$ 3,387,757	\$ 2,268,252	\$ 312,851	\$ 503,221
Receivables				
Taxes	96,481	-	-	-
Accounts	82,305	-	-	-
Notes, mortgages and leases	-	-	-	-
Special assessments	20,300	3,102,594	-	-
Intergovernmental	406,299	1,261,378	-	-
Advance from other funds	1,029,647	-	-	-
Due from other funds	24,317	-	-	-
Prepaid items	9,663	-	-	-
Land held for resale	-	-	-	-
Total Assets	\$ 5,056,769	\$ 6,632,224	\$ 312,851	\$ 503,221
Liabilities				
Accounts payable	\$ 609,067	\$ -	\$ 150,731	\$ 100,659
Contracts payable	-	-	140,941	66,774
Advance to other funds	-	895,204	-	-
Due to other governments	57,964	5,600	-	274
Due to other funds	-	-	-	-
Accrued wages payable	184,967	-	-	-
Unearned revenue	306,775	-	-	-
Total Liabilities	1,158,773	900,804	291,672	167,707
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	96,481	-	-	-
Special assessments	20,300	3,102,594	-	-
Advance from other governments	-	1,205,000	-	526,092
Total Deferred Inflows of Resources	116,781	4,307,594	-	526,092
Fund Balances				
Nonspendable	1,039,310	-	-	-
Restricted	-	1,423,826	-	-
Assigned	-	-	21,179	-
Unassigned	2,741,905	-	-	(190,578)
Total Fund Balances	3,781,215	1,423,826	21,179	(190,578)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,056,769	\$ 6,632,224	\$ 312,851	\$ 503,221

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

Other Governmental Funds	Total
\$ 1,928,840	\$ 8,400,921
-	96,481
83,122	165,427
940,691	940,691
-	3,122,894
75,643	1,743,320
-	1,029,647
-	24,317
868	10,531
1,096,305	1,096,305
<u>\$ 4,125,469</u>	<u>\$ 16,630,534</u>
\$ 98,839	\$ 959,296
26,441	234,156
559,638	1,454,842
26,335	90,173
24,317	24,317
2,224	187,191
-	306,775
<u>737,794</u>	<u>3,256,750</u>
-	96,481
-	3,122,894
592,740	2,323,832
<u>592,740</u>	<u>5,543,207</u>
868	1,040,178
3,734,261	5,158,087
116,655	137,834
(1,056,849)	1,494,478
<u>2,794,935</u>	<u>7,830,577</u>
<u>\$ 4,125,469</u>	<u>\$ 16,630,534</u>

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

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City of North Mankato, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2019

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

Total Fund Balances - Governmental Funds	\$ 7,830,577
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	50,739,530
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	346,879
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	(653,820)
Other postemployment benefits obligation	(668,515)
Net pension liability	(2,608,997)
Bonds payable	(19,120,000)
Unamortized bond discounts, net of amortization	1,988
Unamortized bond premiums, net of amortization	(282,791)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	96,481
Special assessments receivable	3,122,894
Intergovernmental receivable	1,205,000
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	1,692,448
Deferred inflows of pension resources	(2,172,691)
Deferred outflows of other postemployment benefit resources	251,508
Deferred inflows of other postemployment benefit resources	(20,033)
Governmental funds do not report a liability for accrued interest until due and payable.	(167,626)
Total Net Position - Governmental Activities	<u>\$ 39,592,832</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, 2019

	General	Debt Service	Capital Projects	
			2017 Construction	2019 Construction
Revenues				
Taxes	\$ 5,628,670	\$ 1,568,790	\$ -	\$ -
Special assessments	6,457	426,397	-	-
Licenses and permits	410,133	-	-	-
Intergovernmental	2,539,913	252,550	-	2,225,617
Charges for services	165,884	-	-	-
Fines and forfeits	26,399	-	-	-
Investment earnings	54,723	20,158	-	4,957
Miscellaneous	152,661	-	-	22,500
Total Revenues	<u>8,984,840</u>	<u>2,267,895</u>	<u>-</u>	<u>2,253,074</u>
Expenditures				
Current				
General government	797,431	-	-	-
Public safety	2,599,104	-	-	-
Public works	2,202,765	-	-	-
Culture and recreation	1,572,024	-	-	-
Housing and economic development	616,011	-	-	-
Mass transit and other	313,307	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	349	-	-	-
Public works	682,583	-	-	4,056,192
Culture and recreation	357,853	-	2,875,671	-
Housing and economic development	-	-	-	-
Debt service				
Principal	-	2,220,000	-	-
Interest and other costs	-	537,680	-	34,453
Bond issuance costs	-	-	6,007	-
Total Expenditures	<u>9,141,427</u>	<u>2,757,680</u>	<u>2,881,678</u>	<u>4,090,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(156,587)</u>	<u>(489,785)</u>	<u>(2,881,678)</u>	<u>(1,837,571)</u>
Other Financing Sources (Uses)				
Sale of capital assets	17,204	-	-	-
Transfers in	644,082	674,579	346,035	153,470
Bonds issued	-	-	265,000	1,530,000
Premium on bonds issued	-	-	5,432	13,439
Transfers out	(881,035)	(147,735)	-	-
Total Other Financing Sources (Uses)	<u>(219,749)</u>	<u>526,844</u>	<u>616,467</u>	<u>1,696,909</u>
Net Change in Fund Balances	(376,336)	37,059	(2,265,211)	(140,662)
Fund Balances, January 1	4,157,551	1,386,767	2,286,390	(49,916)
Prior Period Restatement (Note 11)	-	-	-	-
Fund Balances, December 31	<u>\$ 3,781,215</u>	<u>\$ 1,423,826</u>	<u>\$ 21,179</u>	<u>\$ (190,578)</u>

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

Other Governmental Funds	Totals
\$ 1,197,377	\$ 8,394,837
-	432,854
-	410,133
2,285	5,020,365
378,850	544,734
-	26,399
21,062	100,900
175,262	350,423
<u>1,774,836</u>	<u>15,280,645</u>
17,925	815,356
-	2,599,104
-	2,202,765
612,255	2,184,279
434,290	1,050,301
-	313,307
180,000	180,000
83,814	84,163
184,150	4,922,925
361,430	3,594,954
151,583	151,583
292,000	2,512,000
4,978	577,111
-	6,007
<u>2,322,425</u>	<u>21,193,855</u>
<u>(547,589)</u>	<u>(5,913,210)</u>
375,000	392,204
951,488	2,769,654
-	1,795,000
-	18,871
<u>(1,152,634)</u>	<u>(2,181,404)</u>
<u>173,854</u>	<u>2,794,325</u>
(373,735)	(3,118,885)
3,128,624	10,909,416
40,046	40,046
<u>\$ 2,794,935</u>	<u>\$ 7,830,577</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, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ (3,118,885)
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	8,472,762
Depreciation expense	(2,512,166)
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	(392,610)
Capital contributions - other	682,586
The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(133,751)
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	2,512,000
Debt issued or incurred	(1,795,000)
Discount on bonds issued, net of amortization expense	(806)
Premium on bonds issued, net of amortization expense	13,166
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.	(10,337)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(34,335)
Direct aid contributions	18,935
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	(4,618)
Special assessments	94,466
Intergovernmental revenues	(215,000)
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	(41,959)
Other postemployment benefits costs	(34,070)
Change in Net Position - Governmental Activities	<u>\$ 3,500,378</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,691,348	\$ 5,691,348	\$ 5,628,670	\$ (62,678)
Special assessments	13,800	13,800	6,457	(7,343)
Licenses and permits	441,870	441,870	410,133	(31,737)
Intergovernmental	2,178,583	2,178,583	2,539,913	361,330
Charges for services	102,138	102,138	165,884	63,746
Fines and forfeits	32,500	32,500	26,399	(6,101)
Investment earnings	4,000	4,000	54,723	50,723
Miscellaneous	159,966	159,966	152,661	(7,305)
Total Revenues	<u>8,624,205</u>	<u>8,624,205</u>	<u>8,984,840</u>	<u>360,635</u>
Expenditures				
Current				
General government	837,105	837,105	797,431	39,674
Public safety	2,515,887	2,515,887	2,599,104	(83,217)
Public works	1,948,361	1,948,361	2,202,765	(254,404)
Culture and recreation	1,460,183	1,460,183	1,572,024	(111,841)
Housing and economic development	652,744	652,744	616,011	36,733
Mass transit and other	275,747	275,747	313,307	(37,560)
Capital outlay				
General government	1,700	1,700	-	1,700
Public safety	1,000	1,000	349	651
Public works	400,000	400,000	682,583	(282,583)
Culture and recreation	412,000	412,000	357,853	54,147
Total Expenditures	<u>8,504,727</u>	<u>8,504,727</u>	<u>9,141,427</u>	<u>(636,700)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,478</u>	<u>119,478</u>	<u>(156,587)</u>	<u>(276,065)</u>
Other Financing Sources (Uses)				
Transfers in	261,750	461,750	644,082	182,332
Sale of capital assets	100	100	17,204	17,104
Transfers out	(381,000)	(535,000)	(881,035)	(346,035)
Total Other Financing Sources (Uses)	<u>(119,150)</u>	<u>(73,150)</u>	<u>(219,749)</u>	<u>(146,599)</u>
Net Change in Fund Balances	328	46,328	(376,336)	(422,664)
Fund Balances, January 1	<u>4,157,551</u>	<u>4,157,551</u>	<u>4,157,551</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,157,879</u>	<u>\$ 4,203,879</u>	<u>\$ 3,781,215</u>	<u>\$ (422,664)</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, 2019

	Business-type Activities - Enterprise Funds				Total
	601 Water Utility	602 Sewer Utility	604 Storm Water	Other Enterprise Funds	
Assets					
Current Assets					
Cash and temporary investments	\$ 723,739	\$ 946,110	\$ 578,232	\$ 184,098	\$ 2,432,179
Receivables					
Accounts	465,644	15,350	4,681	6,924	492,599
Special assessments	1,793	-	-	-	1,793
Intergovernmental	-	5,765	-	-	5,765
Advance to other funds	108,300	35,300	-	-	143,600
Inventories	65,785	-	-	-	65,785
Prepaid items	78	43	10	10	141
Total Current Assets	1,365,339	1,002,568	582,923	191,032	3,141,862
Noncurrent Assets					
Special assessments receivable - noncurrent	28,526	173,676	-	-	202,202
Advance to other funds - noncurrent	324,900	105,900	-	-	430,800
Capital assets					
Land	392,411	53,000	-	160,650	606,061
Buildings	19,843,903	15,175,036	3,243,211	1,500,777	39,762,927
Machinery and equipment	680,829	965,774	23,644	798,619	2,468,866
Construction in progress	759,168	874,307	1,077,901	-	2,711,376
Less accumulated depreciation	(8,242,819)	(6,332,853)	(393,505)	(1,068,412)	(16,037,589)
Total Capital Assets	13,433,492	10,735,264	3,951,251	1,391,634	29,511,641
Total Noncurrent Assets	13,786,918	11,014,840	3,951,251	1,391,634	30,144,643
Total Assets	15,152,257	12,017,408	4,534,174	1,582,666	33,286,505
Deferred Outflows of Resources					
Deferred pension resources	27,839	15,970	1,092	4,409	49,310
Deferred other postemployment benefit resources	42,915	22,268	9,575	9,501	84,259
Total Deferred Outflows of Resources	70,754	38,238	10,667	13,910	133,569
Liabilities					
Current Liabilities					
Accounts payable	28,200	15,845	607,592	68,016	719,653
Contracts payable	2,600	9,537	34,282	-	46,419
Advances from other funds	-	-	9,205	-	9,205
Due to other governments	12,583	17,204	4,014	6,141	39,942
Accrued interest payable	11,693	6,047	3,637	6,238	27,615
Accrued wages payable	31,165	15,191	2,926	4,202	53,484
Compensated absences payable - current portion	37,662	4,730	1,507	5,010	48,909
Bonds payable - current portion	403,917	220,250	98,833	135,000	858,000
Total Current Liabilities	527,820	288,804	761,996	224,607	1,803,227
Noncurrent Liabilities					
Advances from other funds - noncurrent	-	-	140,000	-	140,000
Compensated absences payable, net of current portion	53,235	11,649	-	1,261	66,145
Bonds payable, net of current portion	3,160,598	1,594,127	938,239	651,182	6,344,146
Net pension liability	342,790	196,645	13,448	54,282	607,165
Other postemployment benefits obligation	114,069	59,189	25,451	25,253	223,962
Total Noncurrent Liabilities	3,670,692	1,861,610	1,117,138	731,978	7,381,418
Total Liabilities	4,198,512	2,150,414	1,879,134	956,585	9,184,645
Deferred Inflows of Resources					
Deferred pension resources	70,003	40,158	2,746	11,085	123,992
Deferred other postemployment benefit resources	3,418	1,774	763	757	6,712
Total Deferred Inflows of Resources	73,421	41,932	3,509	11,842	130,704
Net Position					
Net investment in capital assets	9,868,977	9,219,547	2,914,179	605,452	22,608,155
Unrestricted	1,082,101	643,753	(251,981)	22,697	1,496,570
Total Net Position	\$ 10,951,078	\$ 9,863,300	\$ 2,662,198	\$ 628,149	\$ 24,104,725

City of North Mankato, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				
	601	602	604	Other	
	Water Utility	Sewer Utility	Storm Water	Enterprise Funds	Total
Operating Revenues					
Charges for services	\$ 1,992,953	\$ 2,382,796	\$ 398,787	\$ 1,151,007	\$ 5,925,543
Facility rental	-	-	-	122,572	122,572
Total Operating Revenues	<u>1,992,953</u>	<u>2,382,796</u>	<u>398,787</u>	<u>1,273,579</u>	<u>6,048,115</u>
Operating Expenses					
Personal services	665,289	468,871	35,328	130,726	1,300,214
Supplies	124,195	59,927	12,191	39,298	235,611
Other services and charges	268,990	209,278	127,402	181,698	787,368
Contractual services	-	1,016,463	-	731,107	1,747,570
Insurance	10,624	25,192	-	2,830	38,646
Utilities	176,718	-	40,995	27,680	245,393
Depreciation	459,237	317,364	65,233	87,688	929,522
Total Operating Expenses	<u>1,705,053</u>	<u>2,097,095</u>	<u>281,149</u>	<u>1,201,027</u>	<u>5,284,324</u>
Operating Income	<u>287,900</u>	<u>285,701</u>	<u>117,638</u>	<u>72,552</u>	<u>763,791</u>
Nonoperating Revenues (Expenses)					
Investment income	19,242	16,436	4,957	-	40,635
Other income	8,706	15,612	6,658	1,822	32,798
Interest expense	(78,405)	(47,955)	(12,152)	(21,635)	(160,147)
Bond issuance costs	-	(10,219)	(18,375)	-	(28,594)
Amortization of bond premiums (discounts)	13,231	10,328	576	1,406	25,541
Total Nonoperating Revenues (Expenses)	<u>(37,226)</u>	<u>(15,798)</u>	<u>(18,336)</u>	<u>(18,407)</u>	<u>(89,767)</u>
Income Before Contributions and Transfers	250,674	269,903	99,302	54,145	674,024
Capital Contributions from Other Funds	159,529	72,852	160,229	-	392,610
Capital Grants and Contributions	246,569	523,241	225,199	-	995,009
Transfers In	-	-	-	30,000	30,000
Transfers Out	<u>(225,000)</u>	<u>(295,000)</u>	<u>(53,250)</u>	<u>(45,000)</u>	<u>(618,250)</u>
Change in Net Position	431,772	570,996	431,480	39,145	1,473,393
Net Position, January 1	<u>10,519,306</u>	<u>9,292,304</u>	<u>2,230,718</u>	<u>589,004</u>	<u>22,631,332</u>
Net Position, December 31	<u>\$ 10,951,078</u>	<u>\$ 9,863,300</u>	<u>\$ 2,662,198</u>	<u>\$ 628,149</u>	<u>\$ 24,104,725</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, 2019

	Business-type Activities - Enterprise Funds				
	601 Water Utility	602 Sewer Utility	604 Storm Water	Other Enterprise Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,970,151	\$ 2,413,366	\$ 394,075	\$ 1,146,876	\$ 5,924,468
Payments to suppliers and vendors	(622,754)	(1,328,979)	(152,744)	(983,719)	(3,088,196)
Payments to and on behalf of employees	(662,440)	(421,515)	(58,183)	(117,890)	(1,260,028)
Other receipts	8,706	15,612	6,658	126,091	157,067
Net Cash Provided by Operating Activities	693,663	678,484	189,806	171,358	1,733,311
Cash Flows from Noncapital Financing Activities					
Increase (decrease) in due to other funds	-	-	(49,964)	-	(49,964)
Transfers from other funds	-	-	-	30,000	30,000
Transfers to other funds	(225,000)	(295,000)	(53,250)	(45,000)	(618,250)
Net Cash Provided (Used) by Noncapital Financing Activities	(225,000)	(295,000)	(103,214)	(15,000)	(638,214)
Cash Flows from Capital Related Financing Activities					
Intergovernmental	-	199,721	-	-	199,721
Decrease in due from other funds	108,300	35,300	-	-	143,600
Acquisition of capital assets	(461,848)	(760,342)	(492,660)	-	(1,714,850)
Proceeds from bond issue, net discounts/premiums	-	458,985	822,284	-	1,281,269
Principal paid on revenue bonds payable	(391,250)	(277,272)	(40,500)	(130,000)	(839,022)
Interest paid on revenue bonds payable	(79,610)	(47,657)	(9,265)	(21,735)	(158,267)
Bond issuance costs paid on bonds	-	(10,219)	(18,375)	-	(28,594)
Payments received on assessments receivable	242,199	262,778	225,199	-	730,176
Net Cash Used by Capital and Related Financing Activities	(582,209)	(138,706)	486,683	(151,735)	(385,967)
Cash Flows from Investing Activities					
Interest received on cash and investments	19,242	16,436	4,957	-	40,635
Net Increase (Decrease) in Cash and Cash Equivalents	(94,304)	261,214	578,232	4,623	749,765
Cash and Cash Equivalents, January 1	818,043	684,896	-	179,475	1,682,414
Cash and Cash Equivalents, December 31	<u>\$ 723,739</u>	<u>\$ 946,110</u>	<u>\$ 578,232</u>	<u>\$ 184,098</u>	<u>\$ 2,432,179</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 287,900	\$ 285,701	\$ 117,638	\$ 72,552	\$ 763,791
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income related to operations	8,706	15,612	6,658	1,822	32,798
Depreciation	459,237	317,364	65,233	87,688	929,522
(Increase) decrease in assets					
Accounts receivable	(25,955)	(6,430)	(4,681)	(4,005)	(41,071)
Intergovernmental	3,951	37,458	-	1,697	43,106
Inventories	(146)	-	-	-	(146)
Prepaid items	613	519	16	223	1,371
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	30,634	11,970	4,728	3,646	50,978
Deferred other postemployment benefit resources	(40,050)	(21,063)	(9,000)	(8,882)	(78,995)
Increase (decrease) in liabilities					
Accounts payable	(53,689)	(26,368)	27,029	(1,407)	(54,435)
Due to other governments	10,995	7,730	799	78	19,602
Accrued wages payable	8,543	3,063	1,881	1,128	14,615
Compensated absences payable	(5,100)	702	(3,851)	2,838	(5,411)
Other postemployment benefits obligation	44,228	29,825	11,429	10,174	95,656
Net pension liability	(6,893)	29,557	(21,357)	6,115	7,422
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(32,729)	(8,930)	(7,479)	(3,066)	(52,204)
Deferred other postemployment benefit resources	3,418	1,774	763	757	6,712
Net Cash Provided by Operating Activities	<u>\$ 693,663</u>	<u>\$ 678,484</u>	<u>\$ 189,806</u>	<u>\$ 171,358</u>	<u>\$ 1,733,311</u>
Schedule of Noncash Capital and Related Financing Activities					
Capital assets acquired on account	\$ 2,600	\$ 9,537	\$ 606,454	\$ -	\$ 618,591
Capital assets contributed by other funds	<u>\$ 159,529</u>	<u>\$ 72,852</u>	<u>\$ 160,229</u>	<u>\$ -</u>	<u>\$ 392,610</u>
Special assessments levied	<u>\$ 9,198</u>	<u>\$ 78,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,542</u>
Amortization of bond (premium) discount	<u>\$ (13,231)</u>	<u>\$ (10,328)</u>	<u>\$ (576)</u>	<u>\$ (1,406)</u>	<u>\$ (25,541)</u>

City of North Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 10,292</u>
Liabilities	
Accounts payable	200
Due to other governments	<u>200</u>
Total Liabilities	<u>400</u>
Net Position	
Restricted for	
Individuals, organizations, and other governments	<u><u>\$ 9,892</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
December 31, 2019

	<u>Custodial Funds</u>
Additions	
Charitable gambling tax	\$ 24,135
Refunds and reimbursements	<u>1,150</u>
Donations	<u>25,285</u>
Total Additions	
Deductions	
Miscellaneous	<u>20,770</u>
Net increase (decrease) in fiduciary net position	4,515
Net Position, January 1	-
Prior Period Restatement (Note 11)	<u>5,377</u>
Net Position, December 31	<u><u>\$ 9,892</u></u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of North Mankato (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end.

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

Excluded

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *2017 Construction fund* accounts for street construction projects associated with the 2017 improvements program.

The *2019 Construction fund* accounts for street construction projects associated with the 2019 improvements program.

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

Fiduciary Funds

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019 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 69 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, 2019:

- U.S. government securities of \$247,084 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$465,330 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. 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.

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.

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.

Capital Assets

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

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

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

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

Land Held for Resale

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

Deferred Outflows of Resources

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2019 is \$768,874. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits Other Than Pensions

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

Long-term Obligations

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

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

Pensions

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

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

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERP	PEPFP	DCP		
Pension Expense	\$ 186,173	\$ 278,724	\$ 1,300	\$ 181,549	\$ 647,746

Deferred Inflows of Resources

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance on the last day of each fiscal year equal to the following:

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

Net Position

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

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

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Library Endowment, Community Development Block Grant 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, 2019 expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 8,504,727	\$ 9,141,427	\$ 636,700
Special Revenue			
Library Endowment	30,400	59,823	29,423
Local Option Sales Tax	-	5,041	5,041

These over expenditures were funded by an excess of actual revenues over budget and available fund balance.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2019:

Fund	Amount
Special Revenue	
Marigold TIF #8	\$ 393,877
Capital Projects	
2015 Construction	592,740
2018 Construction	26,473
2019 Construction	190,578
2020 Construction	43,648
2023 Construction	111
Proprietary	
Solid Waste	60,307

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$9,809,256, including \$10,242 reported in fiduciary funds and the bank balance was \$10,171,930. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Cash on Hand

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

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

Types of Investments	Credit	Segmented	Amount	Fair Value		
	Quality/	Time		Measurement Using		
	Ratings (1)	Distribution (2)		Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
U.S. Government Money Market Accounts	N/A	less than 6 months	\$ 11,437			
Taxable Fixed Income	N/A	less than 6 months	308,296			
Non-pooled Investments at Fair Value						
U.S. Government Securities	N/A	less than 6 months	244,575	\$ 244,575	\$ -	\$ -
Mutual Funds	N/A	less than 6 months	2,509	2,509	-	-
Negotiable Certificates of Deposit	N/A	6 months to 1 year	239,981	-	239,981	-
Negotiable Certificates of Deposit	N/A	1 to 3 years	225,349	-	225,349	-
Total Investments			\$ 1,032,146	\$ 247,084	\$ 465,330	\$ -

(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	Totals
Deposits	\$ 9,799,014	\$ 10,242	\$ 9,809,256
Investments	1,032,146	-	1,032,146
Cash on Hand	1,940	50	1,990
Total	<u>\$ 10,833,100</u>	<u>\$ 10,292</u>	<u>\$ 10,843,392</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Notes, Mortgages and Leases Receivable

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority General fund, Federal Revolving Loan fund, Local Revolving Loan fund, and State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. The revolving notes are to be repaid to the Port Authority in various monthly installments with interest at 2.50 percent to 4.50 percent. The balance on these notes at December 31, 2019 is \$889,238. 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, 2019 is \$51,453.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 4,759,185	\$ 305,300	\$ (133,751)	\$ 4,930,734
Construction in progress	2,910,488	7,699,027	(486,879)	10,122,636
Total Capital Assets not Being Depreciated	7,669,673	8,004,327	(620,630)	15,053,370
Capital Assets Being Depreciated				
Buildings and improvements	72,736,829	846,603	-	73,583,432
Machinery, equipment and vehicles	7,612,182	398,687	(141,753)	7,869,116
Total Capital Assets Being Depreciated	80,349,011	1,245,290	(141,753)	81,452,548
Less Accumulated Depreciation for				
Buildings and improvements	(38,424,438)	(2,148,902)	-	(40,573,340)
Machinery, equipment and vehicles	(4,971,537)	(363,264)	141,753	(5,193,048)
Total Accumulated Depreciation	(43,395,975)	(2,512,166)	141,753	(45,766,388)
Total Capital Assets Being Depreciated, Net	36,953,036	(1,266,876)	-	35,686,160
Governmental Activities Capital Assets, Net	<u>\$ 44,622,709</u>	<u>\$ 6,737,451</u>	<u>\$ (620,630)</u>	<u>\$ 50,739,530</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 606,061	\$ -	\$ -	\$ 606,061
Construction in progress	964,702	1,774,515	(27,841)	2,711,376
Total Capital Assets not Being Depreciated	1,570,763	1,774,515	(27,841)	3,317,437
Capital Assets Being Depreciated				
Buildings and improvements	39,036,422	726,505	-	39,762,927
Machinery, equipment and vehicles	2,228,572	240,294	-	2,468,866
Total Capital Assets Being Depreciated	41,264,994	966,799	-	42,231,793
Less Accumulated Depreciation for				
Buildings and improvements	(13,752,226)	(828,980)	-	(14,581,206)
Machinery, equipment and vehicles	(1,355,841)	(100,542)	-	(1,456,383)
Total Accumulated Depreciation	(15,108,067)	(929,522)	-	(16,037,589)
Total Capital Assets Being Depreciated, Net	26,156,927	37,277	-	26,194,204
Business-Type Activities Capital Assets, Net	<u>\$ 27,727,690</u>	<u>\$ 1,811,792</u>	<u>\$ (27,841)</u>	<u>\$ 29,511,641</u>

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

Governmental Activities	
General government	\$ 114,031
Public safety	158,114
Public works, including depreciation of general infrastructure assets	1,848,290
Culture and recreation	391,731
Total Depreciation Expense - Governmental Activities	<u>\$ 2,512,166</u>
Business-type Activities	
Water utility	\$ 459,237
Sewer utility	317,364
Recycling	47,328
Storm water	65,233
Solid waste	40,360
Total Depreciation Expense - Business-type Activities	<u>\$ 929,522</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2019. The projects include street construction, new developments and a recreational swim facility. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Jefferson Avenue	\$ 356,476	\$ 18,762
Swim Facility	2,442,894	131,495
Marie Lane Extension	145,894	19,833
North Ridge Ravine	651,361	58,554
Tyler Ave	456,401	43,696
Commerce Drive	2,815,514	342,913
Hillside Reservoir	49,400	6,100
Carol Court Forcemain	181,194	23,922
Pool Heater	222,614	24,736
Total	<u>\$ 7,321,748</u>	<u>\$ 670,011</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, 2019 is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	<u>\$ 24,317</u>

The above balances is related to deficit cash balances.

Advances to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 320,704
	Nonmajor governmental	559,738
	Storm Water enterprise	149,205
Water Utility enterprise	Debt Service	433,200
Sewer Utility enterprise	Debt Service	141,200
Total		<u>\$ 1,604,047</u>

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The following transfers were made for the year ended December 31, 2019:

Fund	Transfer in						Total
	General	Debt Service	2017 Construction	2019 Construction	Nonmajor Governmental	Nonmajor Proprietary	
Transfer out							
General	\$ -	\$ -	\$ 346,035	\$ -	\$ 535,000	\$ -	\$ 881,035
Debt Service	-	-	-	117,735	-	30,000	147,735
Nonmajor governmental	382,332	674,579	-	35,735	59,988	-	1,152,634
Water Utility enterprise	95,000	-	-	-	130,000	-	225,000
Sewer Utility enterprise	110,000	-	-	-	185,000	-	295,000
Storm Water enterprise	11,750	-	-	-	41,500	-	53,250
Nonmajor proprietary	45,000	-	-	-	-	-	45,000
Total Transfers Out	\$ 644,082	\$ 674,579	\$ 346,035	\$ 153,470	\$ 951,488	\$ 30,000	\$ 2,799,654

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 2019:

- \$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.
- \$356,500 to the Capital Facilities fund (nonmajor governmental fund) from the Water Utility fund (\$130,000), the Sewer Utility fund (\$185,000) and the Storm Water fund (\$41,500) for franchise fees.
- \$209,988 to the Caswell Sports fund (nonmajor governmental fund) from the General fund (\$150,000) and the Local Option Sales Tax fund (\$59,988) to cover a shortfall in lodging tax.
- \$294,000 to the Capital Facilities fund (nonmajor governmental fund) from the General fund for street repairs.
- \$346,035 to the 2017 Construction fund from the General fund for capital expenditures.
- \$117,735 to the 2019 Construction fund from the General fund and \$35,735 from the 2015 Construction fund for capital expenditures.
- \$526,669 from the Local Option Sales Tax fund (nonmajor governmental fund) to the Debt Service fund for scheduled debt payments.
- Transfers from TIF #8 Marigold fund (\$84,466) (nonmajor governmental fund), TIF #14 Webster Redevelopment fund (\$11,442) (nonmajor governmental fund), TIF #2 fund (\$6,182), TIF #19 fund (nonmajor governmental fund) (\$33,253) and Port Authority (\$12,567) (nonmajor governmental fund) to the Debt Service funds to assist with scheduled payments.
- \$242,374 from the 2015 Construction fund (nonmajor governmental fund) to the General fund to close the fund.
- \$139,958 from the 2016 Construction fund (nonmajor governmental fund) to the General fund to close the fund.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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
G.O. Bonds of 2011A	\$ 3,215,000	2.00 - 3.75 %	11/30/11	02/01/34	\$ 2,545,000
G.O. Crossover Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	90,000
G.O. Tax Abatement Bonds of 2014A	925,000	3.00 - 3.50	07/01/14	12/01/29	645,000
G.O. Tax Abatement Bonds of 2015A	580,000	0.85 - 3.10	09/01/15	12/01/30	445,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	370,000
G.O. Tax Abatement Bonds of 2018A	4,200,000	3.00 - 3.375	12/20/18	02/01/34	4,200,000
G.O. Equipment Bonds of 2019A	265,000	2.00	10/30/19	02/01/29	265,000
Total General Obligation Bonds					<u>\$ 8,560,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2020	\$ 580,000	\$ 250,022	\$ 830,022
2021	550,000	236,649	786,649
2022	565,000	221,668	786,668
2023	585,000	205,915	790,915
2024	600,000	189,465	789,465
2025 - 2029	3,030,000	684,571	3,714,571
2030 - 2034	2,650,000	228,844	2,878,844
Total	<u>\$ 8,560,000</u>	<u>\$ 2,017,134</u>	<u>\$ 10,577,134</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Tax Increment Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Tax Increment Bonds of 2010D	\$ 810,000	2.85 - 6.25 %	12/30/10	02/01/37	\$ 555,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	385,000
Total G.O. Tax Increment Bonds					<u>\$ 940,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 105,000	\$ 42,390	\$ 147,390
2021	110,000	37,879	147,879
2022	110,000	33,028	143,028
2023	120,000	27,693	147,693
2024	125,000	21,778	146,778
2025 - 2029	130,000	79,257	209,257
2030 - 2034	180,000	40,516	220,516
2035 - 2037	60,000	3,187	63,187
Total	<u>\$ 940,000</u>	<u>\$ 285,728</u>	<u>\$ 1,225,728</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Improvement Bonds of 2010A	\$ 2,305,000	2.00 - 4.00 %	12/30/10	12/01/27	\$ 1,400,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	1,655,000
G.O. Improvement Bonds of 2015A	1,480,000	0.85 - 3.10	09/01/15	12/01/30	1,170,000
G.O. Crossover Refunding Bonds of 2015B	2,390,000	2.75 - 3.00	09/21/15	12/01/28	1,205,000
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	810,000
G.O. Improvement Bonds of 2018A	470,000	3.00 - 3.375	12/20/18	02/01/34	470,000
G.O. Improvement Bonds of 2019A	1,530,000	2.00	10/30/19	02/01/34	1,530,000
Total G.O. Special Assessments Bonds - Governmental					<u>8,240,000</u>
Business-type					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	<u>580,000</u>
Total G.O. Special Assessments Bonds					<u><u>\$ 8,820,000</u></u>

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

Year Ending December 31,	G.O. Special Assessment Bonds			G.O. Special Assessment Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,260,000	\$ 205,186	\$ 1,465,186	\$ 95,000	\$ 12,867	\$ 107,867
2021	1,320,000	174,564	1,494,564	90,000	10,930	100,930
2022	925,000	142,349	1,067,349	95,000	8,803	103,803
2023	690,000	119,721	809,721	95,000	6,522	101,522
2024	720,000	103,021	823,021	100,000	4,085	104,085
2025 - 2029	2,225,000	283,394	2,508,394	105,000	1,418	106,418
2030 - 2034	1,100,000	55,172	1,155,172	-	-	-
Total	<u>\$ 8,240,000</u>	<u>\$ 1,083,407</u>	<u>\$ 9,323,407</u>	<u>\$ 580,000</u>	<u>\$ 44,625</u>	<u>\$ 624,625</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type					
G.O. Utility Revenue Bonds of 2009B	\$ 690,000	3.00 - 4.00 %	05/12/09	12/01/24	\$ 270,000
G.O. Improvement Bonds of 2014A	1,525,000	3.00 - 3.50	07/29/14	12/01/24	1,075,000
G.O. Sanitary Equipment Bonds of 2014A	395,000	3.00	07/29/14	12/01/24	200,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	1,975,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	1,313,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	23,300
G.O. Bonds of 2016A	420,000	1.00 - 1.80	08/15/16	02/01/26	370,000
G.O. Bonds of 2019A	1,270,000	2.00	10/30/19	02/01/34	1,270,000
Total G.O. Revenue Bonds - Business-type					<u>6,496,300</u>
Governmental					
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	1,035,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	345,000
Total G.O. Revenue Bonds - Governmental					<u>1,380,000</u>
Total G.O. Revenue Bonds					<u>\$ 7,876,300</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 245,000	\$ 52,625	\$ 297,625	\$ 763,000	\$ 140,371	\$ 903,371
2021	255,000	44,050	299,050	598,000	126,520	724,520
2022	260,000	34,625	294,625	599,100	110,941	710,041
2023	275,000	24,500	299,500	565,300	95,274	660,574
2024	285,000	13,800	298,800	576,300	82,309	658,609
2025 - 2029	60,000	2,400	62,400	2,360,100	233,301	2,593,401
2030 - 2034	-	-	-	1,034,500	41,073	1,075,573
Total	<u>\$ 1,380,000</u>	<u>\$ 172,000</u>	<u>\$ 1,552,000</u>	<u>\$ 6,496,300</u>	<u>\$ 829,789</u>	<u>\$ 7,326,089</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	\$ 1,992,953	\$ 2,382,796	\$ 522,027	\$ 398,787	\$ 751,552
Principal and Interest	470,860	324,929	104,535	49,765	47,200
Percent of Revenue	23.6%	13.6%	20.0%	12.5%	6.3%

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 8,810,000	\$ 265,000	\$ (515,000)	\$ 8,560,000	\$ 580,000
General obligation tax increment bonds	1,045,000	-	(105,000)	940,000	105,000
General obligation special assessment bonds	7,895,000	1,530,000	(1,185,000)	8,240,000	1,260,000
General obligation revenue bonds	1,795,000	-	(415,000)	1,380,000	245,000
Bond discounts	(2,794)	-	806	(1,988)	-
Bond premiums	295,957	18,871	(32,037)	282,791	-
Total Bonds Payable	19,838,163	1,813,871	(2,251,231)	19,400,803	2,190,000
Contracts Payable	292,000	-	(292,000)	-	-
Compensated Absences Payable	611,861	479,634	(437,675)	653,820	269,360
Governmental Activity Long-term Liabilities	<u>\$ 20,742,024</u>	<u>\$ 2,293,505</u>	<u>\$ (2,980,906)</u>	<u>\$ 20,054,623</u>	<u>\$ 2,459,360</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,975,322	\$ 1,270,000	\$ (749,022)	\$ 6,496,300	\$ 763,000
General obligation special assessment bonds	670,000	-	(90,000)	580,000	95,000
Bond discounts	(9,372)	-	1,891	(7,481)	-
Bond premiums	149,490	11,269	(27,432)	133,327	-
Total Bonds Payable	6,785,440	1,281,269	(864,563)	7,202,146	858,000
Compensated Absences Payable	120,465	87,273	(92,684)	115,054	48,909
Business-type Activity Long-term Liabilities	<u>\$ 6,905,905</u>	<u>\$ 1,368,542</u>	<u>\$ (957,247)</u>	<u>\$ 7,317,200</u>	<u>\$ 906,909</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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, 2019, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,393,839 at December 31, 2019.
- \$7,155,000 Housing Facilities Revenue Refunding Note 2014A, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$6,648,348 at December 31, 2019.
- \$4,630,600 Facilities Revenue Refunding Note, Series 2019 (VINE Project) with an outstanding balance of \$4,630,600 at December 31, 2019.
- \$5,300,00 Education Facilities Revenue Refunding Note, Series 2019 (Bethany Lutheran College, Inc. Project) with an outstanding balance of \$5,300,000 at December 31, 2019.

F. Components of Fund Balance

At December 31, 2019, 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	2017 Construction	2019 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Advances to other funds	\$ 1,029,647	\$ -	\$ -	\$ -	\$ -	\$ 1,029,647
Prepaid items	9,663	-	-	-	868	10,531
Total Nonspendable	\$ 1,039,310	\$ -	\$ -	\$ -	\$ 868	\$ 1,040,178
Restricted						
Debt service	\$ -	\$ 1,423,826	\$ -	\$ -	\$ -	\$ 1,423,826
Charitable gambling	-	-	-	-	66,863	66,863
Library programs	-	-	-	-	51,737	51,737
Park development	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	3,249,459	3,249,459
Tax increment financing	-	-	-	-	105,115	105,115
Park improvements	-	-	-	-	255,221	255,221
Total Restricted	\$ -	\$ 1,423,826	\$ -	\$ -	\$ 3,734,261	\$ 5,158,087
Assigned						
Capital equipment/improvements	\$ -	\$ -	\$ 21,179	\$ -	\$ 20,831	\$ 42,010
Economic development	-	-	-	-	95,824	95,824
Total Assigned	\$ -	\$ -	\$ 21,179	\$ -	\$ 116,655	\$ 137,834
Unassigned	\$ 2,741,905	\$ -	\$ -	\$ (190,578)	\$ (1,056,849)	\$ 1,494,478

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 (GERP)

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

Public Employees Police and Fire Plan (PEPFP)

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

B. Benefits Provided

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

GERP Benefits

GERP 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. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

PEPFP Benefits

Benefits for the PEPFP 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 PEPFF 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 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 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, 2019, 2018 and 2017 were \$196,917, \$181,765 and \$179,048, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Police and Fire Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$204,392, \$196,177 and \$184,636, 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, 2019, the City reported a liability of \$1,973,773 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$61,331. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0357 percent which was a 0.0001 percent decrease from its proportion measured as of June 30, 2018.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

City's Proportionate Share of the Net Pension Liability	\$ 1,973,773
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>61,331</u>
Total	<u><u>\$ 2,035,104</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$181,580 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$4,593 as pension expense (and grant revenue) for its proportion share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 59,386	\$ 589
Changes in Actuarial Assumptions	1,909	159,803
Net Difference Between Projected and Actual Earnings on Plan Investments	-	204,802
Changes in Proportion	-	37,880
Contributions paid to PERA Subsequent to the Measurement Date	<u>99,001</u>	<u>-</u>
Total	<u><u>\$ 160,296</u></u>	<u><u>\$ 403,074</u></u>

The \$99,001 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (128,608)
2021	(175,030)
2022	(41,322)
2023	3,181

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,242,389 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.1167 percent which was a 0.0056 percent increase from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$262,969 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$15,755 for the year ended December 31, 2019 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 56,042	\$ 211,619
Changes in Actuarial Assumptions	1,075,306	1,427,563
Net Difference Between Projected and Actual Earnings on Plan Investments	-	221,691
Changes in Proportion	120,443	26,342
Contributions Paid to PERA Subsequent to the Measurement Date	<u>102,956</u>	<u>-</u>
Total	<u>\$ 1,354,747</u>	<u>\$ 1,887,215</u>

The \$102,956 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (56,365)
2021	(155,042)
2022	(452,921)
2023	14,114
2024	14,790

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	<u>2.0</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

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

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 3,244,777	\$ 1,973,773	\$ 924,307
Police and Fire Fund	2,715,632	1,242,389	24

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.

Note 5: Defined Contribution Plan

The City has City Council members that are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The DCP 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, therefore, there is no future liability to the employer. *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 5.0 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. 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.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2019 were:

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

The City and council member's contributions to the DCP plan for the years ending December 31, 2019, 2018 and 2017 were \$1,300, \$1,300 and \$1,300, respectively.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2018, the plan covered 36 active firefighters and 15 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$75,242 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, 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, 2019 were \$75,242. The City's contributions exceeded the required contributions as set by state statute by \$6,944.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

At December 31, 2019, the City reported a net pension asset of \$346,879 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2018. 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, 2018. 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, 2018	\$ 1,773,526	\$ 2,317,645	\$ (544,119)
Changes for the Year			
Service cost	56,868	-	56,868
Interest on pension liability (asset)	100,672	-	100,672
Plan changes	6,326	-	6,326
Projected investment return	-	129,642	(129,642)
Contributions (employer)	-	13,964	(13,964)
Nonemployer contributions	-	72,616	(72,616)
(Gain)/loss	(7,673)	(249,671)	241,998
Administrative expenses	-	(7,598)	7,598
Total Net Changes	156,193	(41,047)	197,240
Ending Balance December 31, 2018	\$ 1,929,719	\$ 2,276,598	\$ (346,879)

For the year ended December 31, 2019 the City recognized pension expense of \$181,549.

At December 31, 2019 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	\$ 1,558	\$ 6,394
Changes in Actuarial Assumptions	13,963	-
Net Difference Between Projected and Actual Earnings on Plan Investments	135,952	-
Contributions to Plan Subsequent to the Measurement Date	75,242	-
Total	\$ 226,715	\$ 6,394

Deferred outflows of resources totaling \$75,242 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, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 51,474
2021	24,657
2022	19,468
2023	49,707
2024	(227)

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

E. Actuarial Assumptions

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

The discount rate changed from 5.50% to 5.25%

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

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

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

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	1 Percent Decrease (4.25%)	Current (5.25%)	1 Percent Increase (6.25%)
Defined Benefit Plan	\$ (321,260)	\$ (346,879)	\$ (371,981)

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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

H. Asset Allocation

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

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

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

I. Pension Plan Fiduciary Net Position

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

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

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

At December 31, 2019, the following employees were covered by the benefit terms:

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

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2019, the City's average contribution rate was 26.28 percent of covered-employee payroll. For fiscal year 2019, the City directly contributed \$10,000 to the Plan, while implicit contributions totaled \$12,505.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 7: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$892,477 was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.80%
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.50% in 2019 grading to 5.00% over 6 years

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

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (With Blue Collar adjustment for Police and Fire Personnel).

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

The actuarial assumptions used in the December 31, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2018	<u>\$ 548,517</u>
Changes for the Year:	
Service cost	43,128
Interest	19,156
Differences between expected and actual experience	335,382
Changes in assumptions or other inputs	(31,201)
Benefit payments	<u>(22,505)</u>
Net Changes	<u>343,960</u>
Balances at December 31, 2019	<u><u>\$ 892,477</u></u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 7: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- 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 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the Rp-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.

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 1-percentage point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

<u>1 Percent Decrease (2.8%)</u>	<u>Current (3.8%)</u>	<u>1 Percent Increase (4.8%)</u>
\$ 958,809	\$ 892,477	\$ 831,060

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

<u>1 Percent Decrease (5.5% decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (6.5% decreasing to 5%)</u>	<u>1 Percent Increase (7.5% decreasing to 6%)</u>
\$ 815,581	\$ 892,477	\$ 979,894

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$57,442. At December 31, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Contributions to OPEB Subsequent to the Measurement Date	<u>\$ 335,767</u>

Amounts reported as deferred outflows of resources totaling \$335,767 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, 2020.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

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. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Joint Economic Development Fund

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

Flood Protection Facilities

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

All Seasons Arena

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

Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2019 was \$1,730,310. This accounted for 19.3 percent of General fund revenues.

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 9: Tax Increments

As of December 31, 2019, the City has five agreements entered into by the City listed below that abates City property taxes. Below is information specific to the agreement:

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

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

The City entered into a tax increment financing agreement (Allstate Peterbilt TIF) on June 20, 2011 with a developer in which the developer incurred costs to promote the construction of a truck and trailer parts and service 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 \$216,660 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.

Lost revenue as it relates to tax abatements for the year ended December 31, 2019 was as follows:

	City Tax Rate (Year of Establishment)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 18 (LJP Enterprises)	45.425%	\$ 68,000	\$ 30,889
TIF District 20 (Ziegler Caterpillar)	45.626%	74,148	33,831
TIF District 21 (Allstate Peterbilt)	45.425%	21,411	9,726
TIF District 22 (Lindsay)	45.425%	17,064	7,751
Total			<u>\$ 82,197</u>

City of North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 10: Subsequent Event

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

On March 24, 2020, the City issued General Obligation Refunding Bonds, Series 2020A for \$2,410,000. The Refunding Bonds were issued with a net interest cost of 1.7196271 percent to refund the maturities of the City's General Obligation Bonds, Series 2011A. The refunded bonds earned an average coupon rate of 2.0 percent. The savings information on the refunding bonds shows a net present value benefit for the City of \$278,407.

Note 11: Change in Accounting Principle

During fiscal year 2019, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This standard required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2019 financial statements. Changes related to this standard are reflected in the financial statements and related disclosures.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2018 balances to the January 1, 2019 financial statement balances:

Fund	Net Position January 1, 2019 as Previously Reported	Prior Period Restatement	Net Position January 1, 2019 as Restated
Governmental Activities	\$ 36,052,408	\$ 40,046	\$ 36,092,454
Governmental Funds			
10 % Gambling	\$ -	\$ 40,046	\$ 40,046
Fiduciary Funds			
Custodial Funds	\$ -	\$ 5,377	\$ 5,377

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REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of North Mankato, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement 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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0357 %	\$ 1,973,773	\$ 61,331	\$ 2,035,104	\$ 2,525,330	80.6 %	80.2 %
06/30/18	0.0358	1,986,037	65,191	2,051,228	2,405,037	85.3	79.5
06/30/17	0.0365	2,330,136	29,282	2,359,418	2,350,028	100.4	75.9
06/30/16	0.0372	3,020,455	39,358	3,059,813	2,305,660	132.7	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 Retirement 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)
12/31/19	\$ 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, 2019

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

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

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

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

Changes in Plan Provisions

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 - None.

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

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City of North Mankato, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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)
12/31/19	\$ 204,392	\$ 204,392	\$ -	\$ 1,205,854	17.0 %
12/31/18	196,177	196,177	-	1,210,969	16.2
12/31/17	184,636	184,636	-	1,139,731	16.2
12/31/16	177,454	177,454	-	1,095,395	16.2
12/31/15	168,972	168,972	-	1,043,037	16.2

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, 2019

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

Changes in Actuarial Assumptions

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, 2019

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

Changes in Plan Provisions

2019 - None.

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

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

2016 - None.

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

City of North Mankato, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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

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

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, 2019

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
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

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

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, 2019

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

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

Benefit changes:

In 2019, there were no benefit changes.

Changes in assumptions:

In 2019, the following assumptions changes:

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

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of North Mankato, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 1,900,242	\$ 28,598	\$ 1,928,840
Receivables			
Accounts	83,122	-	83,122
Notes	940,691	-	940,691
Intergovernmental	75,643	-	75,643
Prepaid items	868	-	868
Land held for resale	1,096,305	-	1,096,305
Total Assets	\$ 4,096,871	\$ 28,598	\$ 4,125,469
Liabilities			
Accounts payable	\$ 47,313	\$ 51,526	\$ 98,839
Contracts payable	-	26,441	26,441
Advance from other funds	559,638	-	559,638
Due to other funds	24,285	32	24,317
Due to other governments	26,335	-	26,335
Accrued wages payable	2,224	-	2,224
Total Liabilities	659,795	77,999	737,794
Deferred Inflows of Resources			
Advance from other governments	-	592,740	592,740
Fund Balances			
Nonspendable	868	-	868
Restricted	3,734,261	-	3,734,261
Assigned	95,824	20,831	116,655
Unassigned	(393,877)	(662,972)	(1,056,849)
Total Fund Balances	3,437,076	(642,141)	2,794,935
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,096,871	\$ 28,598	\$ 4,125,469

City of North Mankato, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 75,000	\$ -	\$ 75,000
Sales taxes	679,219	-	679,219
Tax increments	378,820	-	378,820
Hotel taxes	19,596	-	19,596
Other taxes	44,742	-	44,742
Intergovernmental			
State	2,285	-	2,285
Charges for services			
Other	378,850	-	378,850
Investment earnings	21,062	-	21,062
Miscellaneous			
Rents	9,613	-	9,613
Contributions and donations	49,347	-	49,347
Refunds and reimbursements	-	2,623	2,623
Other	113,464	215	113,679
Total Revenues	<u>1,771,998</u>	<u>2,838</u>	<u>1,774,836</u>
Expenditures			
Current			
General government	17,925	-	17,925
Culture and recreation			
Parks	552,432	-	552,432
Library	59,823	-	59,823
Housing and economic development	434,290	-	434,290
Capital outlay			
General government	-	180,000	180,000
Public safety	-	83,814	83,814
Public works	-	184,150	184,150
Culture and recreation	65,455	295,975	361,430
Housing and economic development	125,300	26,283	151,583
Debt service			
Principal	200,000	92,000	292,000
Interest and other costs	4,978	-	4,978
Total Expenditures	<u>1,460,203</u>	<u>862,222</u>	<u>2,322,425</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>311,795</u>	<u>(859,384)</u>	<u>(547,589)</u>
Other Financing Sources (Uses)			
Sale of capital assets	375,000	-	375,000
Transfers in	224,988	726,500	951,488
Transfers out	(734,567)	(418,067)	(1,152,634)
Total Other Financing Sources (Uses)	<u>(134,579)</u>	<u>308,433</u>	<u>173,854</u>
Net Change in Fund Balances	177,216	(550,951)	(373,735)
Fund Balances, January 1	3,219,814	(91,190)	3,128,624
Prior Period Restatement (Note 11)	<u>40,046</u>	<u>-</u>	<u>40,046</u>
Fund Balances, December 31	<u>\$ 3,437,076</u>	<u>\$ (642,141)</u>	<u>\$ 2,794,935</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.

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.

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NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

National Dentex TIF #17 fund: The purpose of this fund is to account for costs associated with the National Dentex 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.

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

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

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

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

Allstate Peterbilt TIF #21 fund: The purpose of this fund is to account for costs associated with the Allstate Peterbilt Tax Increment Project.

D & K Powdercoating TIF #23 fund: The purpose of this fund is to account for costs associated with the D & K Powdercoating 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, 2019

	201	213	215	221	224	228
	Caswell Sports	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
Assets						
Cash and temporary investments	\$ -	\$ 49,903	\$ 15,296	\$ 179,578	\$ 5,866	\$ 94,233
Receivables						
Accounts	49,977	3,922	-	-	-	23,153
Intergovernmental	-	-	-	75,643	-	-
Notes	-	-	-	-	-	-
Prepaid items	776	92	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	\$ 50,753	\$ 53,917	\$ 15,296	\$ 255,221	\$ 5,866	\$ 117,386
Liabilities						
Accounts payable	\$ 17,685	\$ 7,471	\$ -	\$ -	\$ -	\$ 21,562
Due to other funds	24,285	-	-	-	-	-
Due to other governments	400	-	-	-	-	-
Accrued wages payable	2,224	-	-	-	-	-
Total Liabilities	44,594	7,471	-	-	-	21,562
Fund Balances						
Nonspendable	776	92	-	-	-	-
Restricted	5,383	46,354	15,296	255,221	5,866	-
Assigned	-	-	-	-	-	95,824
Unassigned	-	-	-	-	-	-
Total Fund Balances	6,159	46,446	15,296	255,221	5,866	95,824
Total Liabilities and Fund Balances	\$ 50,753	\$ 53,917	\$ 15,296	\$ 255,221	\$ 5,866	\$ 117,386

229 Federal Revolving Loan	234 Local Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	254 National Dentex TIF #17	255 Webster Avenue TIF #2	256 LJP Enterprises TIF #18
\$ 977,558	\$ 189,545	\$ 26,614	\$ 165,761	\$ 82,674	\$ -	\$ 1,750	\$ -
3,755	290	-	-	-	-	-	-
-	-	-	-	-	-	-	-
847,551	41,687	51,453	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,096,305	-	-	-	-	-
<u>\$ 1,828,864</u>	<u>\$ 231,522</u>	<u>\$ 1,174,372</u>	<u>\$ 165,761</u>	<u>\$ 82,674</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ -</u>
\$ 595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	559,638	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
595	-	-	559,638	-	-	-	-
-	-	-	-	-	-	-	-
1,828,269	231,522	1,174,372	-	82,674	-	1,750	-
-	-	-	-	-	-	-	-
-	-	-	(393,877)	-	-	-	-
1,828,269	231,522	1,174,372	(393,877)	82,674	-	1,750	-
<u>\$ 1,828,864</u>	<u>\$ 231,522</u>	<u>\$ 1,174,372</u>	<u>\$ 165,761</u>	<u>\$ 82,674</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ -</u>

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City of North Mankato, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued)
December 31, 2019

	257 Ziegler Caterpillar TIF #20	258 422 Belgrade TIF #19	259 Lindsay TIF #22	260 Allstate Peterbilt TIF #21	261 D & K Powdercoating TIF #23	864 10% Gambling	Total Nonmajor Special Revenue
Assets							
Cash and temporary investments	\$ -	\$ 20,691	\$ -	\$ 25,935	\$ -	\$ 64,838	\$ 1,900,242
Receivables							
Accounts	-	-	-	-	-	2,025	83,122
Intergovernmental	-	-	-	-	-	-	75,643
Notes	-	-	-	-	-	-	940,691
Prepaid items	-	-	-	-	-	-	868
Land held for resale	-	-	-	-	-	-	1,096,305
Total Assets	<u>\$ -</u>	<u>\$ 20,691</u>	<u>\$ -</u>	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 66,863</u>	<u>\$ 4,096,871</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,313
Due to other funds	-	-	-	-	-	-	583,923
Due to other governments	-	-	-	25,935	-	-	26,335
Accrued wages payable	-	-	-	-	-	-	2,224
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,935</u>	<u>-</u>	<u>-</u>	<u>659,795</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	868
Restricted	-	20,691	-	-	-	66,863	3,734,261
Assigned	-	-	-	-	-	-	95,824
Unassigned	-	-	-	-	-	-	(393,877)
Total Fund Balances	<u>-</u>	<u>20,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,863</u>	<u>3,437,076</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 20,691</u>	<u>\$ -</u>	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 66,863</u>	<u>\$ 4,096,871</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, 2019

	201	213	215	221	224	228
	Caswell Sports	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
Revenues						
Taxes						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Sales taxes	-	-	-	679,219	-	-
Tax increments	-	-	-	-	-	-
Hotel taxes	19,596	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental						
State	2,285	-	-	-	-	-
Charges for services	378,850	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous						
Rents	-	-	-	-	-	-
Contributions and donations	3,498	45,849	-	-	-	-
Other	240	-	-	-	-	77,257
Total Revenues	404,469	45,849	-	679,219	-	152,257
Expenditures						
Current						
General government	-	-	-	-	-	-
Culture and recreation						
Parks	547,391	-	-	5,041	-	-
Library	-	59,823	-	-	-	-
Housing and economic development	-	-	-	-	-	110,763
Capital outlay						
Culture and recreation	65,455	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other costs	-	-	-	-	-	-
Total Expenditures	612,846	59,823	-	5,041	-	110,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(208,377)	(13,974)	-	674,178	-	41,494
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	209,988	15,000	-	-	-	-
Transfers out	-	-	-	(586,657)	-	(12,567)
Total Other Financing Sources (Uses)	209,988	15,000	-	(586,657)	-	(12,567)
Net Change in Fund Balances	1,611	1,026	-	87,521	-	28,927
Fund Balances, January 1	4,548	45,420	15,296	167,700	5,866	66,897
Prior Period Restatement (Note 11)	-	-	-	-	-	-
Fund Balances, December 31	\$ 6,159	\$ 46,446	\$ 15,296	\$ 255,221	\$ 5,866	\$ 95,824

229 Federal Revolving Loan	234 Local Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	254 National Dentex TIF #17	255 Webster Avenue TIF #2	256 LJP Enterprises TIF #18
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	71,195	16,569	-	6,916	79,468
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
21,062	-	-	-	-	-	-	-
-	-	9,613	-	-	-	-	-
-	-	-	-	-	-	-	-
31,603	1,618	2,746	-	-	-	-	-
<u>52,665</u>	<u>1,618</u>	<u>12,359</u>	<u>71,195</u>	<u>16,569</u>	<u>-</u>	<u>6,916</u>	<u>79,468</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
71	-	44,760	-	-	21,462	-	79,468
-	-	-	-	-	-	-	-
-	-	125,300	-	-	-	-	-
-	-	200,000	-	-	-	-	-
-	-	4,978	-	-	-	-	-
<u>71</u>	<u>-</u>	<u>375,038</u>	<u>-</u>	<u>-</u>	<u>21,462</u>	<u>-</u>	<u>79,468</u>
<u>52,594</u>	<u>1,618</u>	<u>(362,679)</u>	<u>71,195</u>	<u>16,569</u>	<u>(21,462)</u>	<u>6,916</u>	<u>-</u>
-	-	375,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(84,466)	(11,442)	-	(6,182)	-
-	-	<u>375,000</u>	<u>(84,466)</u>	<u>(11,442)</u>	<u>-</u>	<u>(6,182)</u>	<u>-</u>
52,594	1,618	12,321	(13,271)	5,127	(21,462)	734	-
1,775,675	229,904	1,162,051	(380,606)	77,547	21,462	1,016	-
-	-	-	-	-	-	-	-
<u>\$ 1,828,269</u>	<u>\$ 231,522</u>	<u>\$ 1,174,372</u>	<u>\$ (393,877)</u>	<u>\$ 82,674</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ -</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, 2019

	257 Ziegler Caterpillar TIF #20	258 422 Belgrade TIF #19	259 Lindsay TIF #22	260 Allstate Peterbilt TIF #21	261 D & K Powdercoating TIF #23	864 10% Gambling	Total Nonmajor Special Revenue
Revenues							
Taxes							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Sales taxes	-	-	-	-	-	-	679,219
Tax increments	87,089	32,059	20,670	25,935	38,919	-	378,820
Hotel taxes	-	-	-	-	-	-	19,596
Other taxes	-	-	-	-	-	44,742	44,742
Intergovernmental							
State	-	-	-	-	-	-	2,285
Charges for services	-	-	-	-	-	-	378,850
Investment earnings	-	-	-	-	-	-	21,062
Miscellaneous							
Rents	-	-	-	-	-	-	9,613
Contributions and donations	-	-	-	-	-	-	49,347
Other	-	-	-	-	-	-	113,464
Total Revenues	87,089	32,059	20,670	25,935	38,919	44,742	1,771,998
Expenditures							
Current							
General government	-	-	-	-	-	17,925	17,925
Culture and recreation							
Parks	-	-	-	-	-	-	552,432
Library	-	-	-	-	-	-	59,823
Housing and economic development	87,089	-	20,670	31,088	38,919	-	434,290
Capital outlay							
Culture and recreation	-	-	-	-	-	-	65,455
Housing and economic development	-	-	-	-	-	-	125,300
Debt service							
Principal	-	-	-	-	-	-	200,000
Interest and other costs	-	-	-	-	-	-	4,978
Total Expenditures	87,089	-	20,670	31,088	38,919	17,925	1,460,203
Excess (Deficiency) of Revenues Over (Under) Expenditure	-	32,059	-	(5,153)	-	26,817	311,795
Other Financing Sources (Uses)							
Sale of capital assets	-	-	-	-	-	-	375,000
Transfers in	-	-	-	-	-	-	224,988
Transfers out	-	(33,253)	-	-	-	-	(734,567)
Total Other Financing Sources (Uses)	-	(33,253)	-	-	-	-	(134,579)
Net Change in Fund Balances	-	(1,194)	-	(5,153)	-	26,817	177,216
Fund Balances, January 1	-	21,885	-	5,153	-	-	3,219,814
Prior Period Restatement (Note 11)	-	-	-	-	-	40,046	40,046
Fund Balances, December 31	\$ -	\$ 20,691	\$ -	\$ -	\$ -	\$ 66,863	\$ 3,437,076

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	Final Budget	2019 Actual Amounts	Variance with Final Budget	2018 Actual Amounts
Revenues				
Miscellaneous				
Contributions and donations	\$ 20,500	\$ 45,849	\$ 25,349	\$ 27,159
Expenditures				
Current				
Culture and recreation				
Other services and charges	30,400	59,823	(29,423)	49,468
Deficiency of Revenues Under Expenditures	(9,900)	(13,974)	(4,074)	(22,309)
Other Financing Sources				
Transfers in	15,000	15,000	-	19,085
Net Change in Fund Balances	5,100	1,026	(4,074)	(3,224)
Fund Balances, January 1	45,420	45,420	-	48,644
Fund Balances, December 31	<u>\$ 50,520</u>	<u>\$ 46,446</u>	<u>\$ (4,074)</u>	<u>\$ 45,420</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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	Final Budget	2019 Actual Amounts	Variance with Final Budget	2018 Actual Amounts
Revenues				
Taxes				
Sales tax	\$ 590,000	\$ 679,219	\$ 89,219	\$ 583,694
Expenditures				
Current				
Culture and recreation				
Other services and charges	-	5,041	(5,041)	-
Excess of Revenues Over Expenditures	590,000	674,178	84,178	583,694
Other Financing Uses				
Transfers out	(587,144)	(586,657)	487	(521,194)
Net Change in Fund Balances	2,856	87,521	84,665	62,500
Fund Balances, January 1	167,700	167,700	-	105,200
Fund Balances, December 31	<u>\$ 170,556</u>	<u>\$ 255,221</u>	<u>\$ 84,665</u>	<u>\$ 167,700</u>

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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, 2019

	230	435	436	438
	Capital Facilities and Equipment Replacement - General	2015 Construction	2016 Construction	2018 Construction
Assets				
Cash and temporary investments	\$ 20,831	\$ -	\$ -	\$ -
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	26,441
Due to other funds	-	-	-	32
Total Liabilities	-	-	-	26,473
Deferred Inflows of Resources				
Advance from other governments	-	592,740	-	-
Fund Balances				
Assigned	20,831	-	-	-
Unassigned	-	(592,740)	-	(26,473)
Total Fund Balances	20,831	(592,740)	-	(26,473)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,831	\$ -	\$ -	\$ -

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<u>2020</u> <u>Construction</u>	<u>2023</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
<u>\$ 6,878</u>	<u>\$ 889</u>	<u>\$ 28,598</u>
\$ 50,526	\$ 1,000	\$ 51,526
-	-	26,441
-	-	32
<u>50,526</u>	<u>1,000</u>	<u>77,999</u>
<u>-</u>	<u>-</u>	<u>592,740</u>
-	-	20,831
<u>(43,648)</u>	<u>(111)</u>	<u>(662,972)</u>
<u>(43,648)</u>	<u>(111)</u>	<u>(642,141)</u>
<u>\$ 6,878</u>	<u>\$ 889</u>	<u>\$ 28,598</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, 2019

	230 Capital Facilities and Equipment Replacement - General	435 2015 Construction	436 2016 Construction
Revenues			
Miscellaneous			
Other	\$ 215	\$ -	\$ -
Refunds and reimbursements	2,623	-	-
Total Revenues	<u>2,838</u>	<u>-</u>	<u>-</u>
Expenditures			
Capital outlay			
General government	180,000	-	-
Public safety	83,814	-	-
Public works	97,813	1,689	-
Culture and recreation	262,958	-	-
Economic development	26,283	-	-
Debt service			
Principal	92,000		-
Total Expenditures	<u>742,868</u>	<u>1,689</u>	<u>-</u>
Deficiency of Revenues			
Under Expenditures	<u>(740,030)</u>	<u>(1,689)</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	650,500	-	-
Transfers out	-	(278,109)	(139,958)
Total Other Financing Sources (Uses)	<u>650,500</u>	<u>(278,109)</u>	<u>(139,958)</u>
Net Change in Fund Balances	(89,530)	(279,798)	(139,958)
Fund Balances, January 1	<u>110,361</u>	<u>(312,942)</u>	<u>139,958</u>
Fund Balances, December 31	<u>\$ 20,831</u>	<u>\$ (592,740)</u>	<u>\$ -</u>

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2018 Construction	2020 Construction	2023 Construction	Total Nonmajor
\$ -	\$ -	\$ -	\$ 215
-	-	-	2,623
-	-	-	2,838
-	-	-	180,000
-	-	-	83,814
29,867	47,670	7,111	184,150
-	33,017	-	295,975
-	-	-	26,283
-	-	-	92,000
29,867	80,687	7,111	862,222
(29,867)	(80,687)	(7,111)	(859,384)
19,000	50,000	7,000	726,500
-	-	-	(418,067)
19,000	50,000	7,000	308,433
(10,867)	(30,687)	(111)	(550,951)
(15,606)	(12,961)	-	(91,190)
\$ (26,473)	\$ (43,648)	\$ (111)	\$ (642,141)

City of North Mankato, Minnesota

Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2019

	Business-type Activities - Enterprise Funds		
	603	651	
	Recycling	Solid Waste	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 162,862	\$ 21,236	\$ 184,098
Receivables			
Accounts	6,924	-	6,924
Prepaid items	-	10	10
Total Current Assets	<u>169,786</u>	<u>21,246</u>	<u>191,032</u>
Noncurrent Assets			
Capital assets			
Land	160,650	-	160,650
Buildings	1,500,777	-	1,500,777
Machinery and equipment	391,340	407,279	798,619
Less accumulated depreciation	(908,606)	(159,806)	(1,068,412)
Total Noncurrent Assets	<u>1,144,161</u>	<u>247,473</u>	<u>1,391,634</u>
Total Assets	<u>1,313,947</u>	<u>268,719</u>	<u>1,582,666</u>
Deferred Outflows of Resources			
Deferred pension resources	1,176	3,233	4,409
Deferred other postemployment benefit resources	-	9,501	9,501
Total Deferred Outflows of Resources	<u>1,176</u>	<u>12,734</u>	<u>13,910</u>
Liabilities			
Current Liabilities			
Accounts payable	24,311	43,705	68,016
Due to other governments	-	6,141	6,141
Accrued interest payable	5,738	500	6,238
Accrued wages payable	1,397	2,805	4,202
Compensated absences payable - current portion	1,644	3,366	5,010
Bonds payable - current portion	95,000	40,000	135,000
Total Current Liabilities	<u>128,090</u>	<u>96,517</u>	<u>224,607</u>
Noncurrent Liabilities			
Compensated absences payable, net of current portion	1,261	-	1,261
Other postemployment benefits obligation	-	25,253	25,253
Net pension liability	14,476	39,806	54,282
Bonds payable, net of current portion	479,884	171,298	651,182
Total Noncurrent Liabilities	<u>495,621</u>	<u>236,357</u>	<u>731,978</u>
Total Liabilities	<u>623,711</u>	<u>332,874</u>	<u>956,585</u>
Deferred Inflows of Resources			
Deferred pension resources	2,956	8,129	11,085
Deferred other postemployment benefit resources	-	757	757
Total Deferred Inflows of Resources	<u>2,956</u>	<u>8,886</u>	<u>11,842</u>
Net Position			
Net investment in capital assets	569,277	36,175	605,452
Unrestricted	119,179	(96,482)	22,697
Total Net Position	<u>\$ 688,456</u>	<u>\$ (60,307)</u>	<u>\$ 628,149</u>

City of North Mankato, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	603	651	
	Recycling	Solid Waste	Total
Operating Revenues			
Charges for services	\$ 399,455	\$ 751,552	\$ 1,151,007
Facility rental	122,572	-	122,572
Total Operating Revenues	<u>522,027</u>	<u>751,552</u>	<u>1,273,579</u>
Operating Expenses			
Personal services	32,642	98,084	130,726
Supplies	30,833	8,465	39,298
Other services and charges	98,920	82,778	181,698
Contractual services	252,617	478,490	731,107
Insurance	2,830	-	2,830
Utilities	27,680	-	27,680
Depreciation	47,328	40,360	87,688
Total Operating Expenses	<u>492,850</u>	<u>708,177</u>	<u>1,201,027</u>
Operating Income	<u>29,177</u>	<u>43,375</u>	<u>72,552</u>
Nonoperating Revenues (Expenses)			
Other income	1,726	96	1,822
Interest expense	(14,535)	(7,100)	(21,635)
Amortization of bond premiums (discounts)	(854)	2,260	1,406
Total Nonoperating Revenues (Expenses)	<u>(13,663)</u>	<u>(4,744)</u>	<u>(18,407)</u>
Income Before Contributions and Transfers	15,514	38,631	54,145
Transfers In	30,000	-	30,000
Transfers Out	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
Change in Net Position	45,514	(6,369)	39,145
Net Position, January 1	<u>642,942</u>	<u>(53,938)</u>	<u>589,004</u>
Net Position, December 31	<u>\$ 688,456</u>	<u>\$ (60,307)</u>	<u>\$ 628,149</u>

City of North Mankato, Minnesota
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	603	651	
	Recycling	Solid Waste	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 395,416	\$ 751,460	\$ 1,146,876
Payments to suppliers and vendors	(410,039)	(573,680)	(983,719)
Payments to and on behalf of employees	(31,095)	(86,795)	(117,890)
Other receipts	125,995	96	126,091
Net Cash Provided by Operating Activities	<u>80,277</u>	<u>91,081</u>	<u>171,358</u>
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	30,000	-	30,000
Transfers to other funds	-	(45,000)	(45,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>30,000</u>	<u>(45,000)</u>	<u>(15,000)</u>
Cash Flows From Capital and Related Financing Activities			
Principal paid on revenue bonds payable	(90,000)	(40,000)	(130,000)
Interest paid on revenue bonds payable	(14,535)	(7,200)	(21,735)
Net Cash Used by Capital and Related Financing Activities	<u>(104,535)</u>	<u>(47,200)</u>	<u>(151,735)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,742	(1,119)	4,623
Cash and Cash Equivalents, January 1	<u>157,120</u>	<u>22,355</u>	<u>179,475</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 162,862</u></u>	<u><u>\$ 21,236</u></u>	<u><u>\$ 184,098</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 29,177	\$ 43,375	\$ 72,552
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	1,726	96	1,822
Depreciation	47,328	40,360	87,688
(Increase) decrease in assets			
Accounts receivable	(4,005)	-	(4,005)
Intergovernmental	1,697	-	1,697
Prepaid items	211	12	223
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	1,148	2,498	3,646
Deferred other postemployment benefit resources	-	(8,882)	(8,882)
Increase (decrease) in liabilities			
Accounts payable	2,630	(4,037)	(1,407)
Due to other governments	-	78	78
Accrued wages payable	306	822	1,128
Compensated absences payable	606	2,232	2,838
Other postemployment benefits obligation	-	10,174	10,174
Net pension liability	580	5,535	6,115
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(1,127)	(1,939)	(3,066)
Deferred other postemployment benefit resources	-	757	757
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 80,277</u></u>	<u><u>\$ 91,081</u></u>	<u><u>\$ 171,358</u></u>
Schedule of Noncash Capital and Related Financing Activities			
Amortization of bond (premium) discount	<u><u>\$ 854</u></u>	<u><u>\$ (2,260)</u></u>	<u><u>\$ (1,406)</u></u>

THE GENERAL FUND

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

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City of North Mankato, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	\$ 3,387,757	\$ 3,093,756
Receivables		
Taxes	96,481	101,099
Accounts	82,305	139,750
Special assessments		
Delinquent	872	940
Noncurrent	19,428	21,746
Intergovernmental	406,299	57,259
Advance to other funds	1,029,647	1,066,162
Due from other funds	24,317	255,302
Prepaid items	9,663	37,043
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 5,056,769</u></u>	<u><u>\$ 4,773,057</u></u>
Liabilities		
Accounts payable	\$ 609,067	\$ 177,374
Accrued wages payable	184,967	171,920
Due to other governments	57,964	9,498
Unearned revenue	306,775	132,929
Total Liabilities	<u>1,158,773</u>	<u>491,721</u>
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	96,481	101,099
Special assessments	20,300	22,686
Total Deferred Inflows of Resources	<u>116,781</u>	<u>123,785</u>
Fund Balances		
Nonspendable		
Prepaid items	9,663	37,043
Advances to other funds	1,029,647	1,066,162
Unassigned	2,741,905	3,054,346
Total Fund Balances	<u>3,781,215</u>	<u>4,157,551</u>
	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 5,056,769</u></u>	<u><u>\$ 4,773,057</u></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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 5,070,048	\$ 5,070,048	\$ 5,088,938	\$ 18,890	\$ 4,674,693
Sales tax	200	200	82	(118)	36
Franchise taxes	574,000	574,000	482,563	(91,437)	485,645
Other taxes	47,100	47,100	57,087	9,987	55,552
Total taxes	<u>5,691,348</u>	<u>5,691,348</u>	<u>5,628,670</u>	<u>(62,678)</u>	<u>5,215,926</u>
Special assessments	<u>13,800</u>	<u>13,800</u>	<u>6,457</u>	<u>(7,343)</u>	<u>22,018</u>
Licenses and permits					
Business	129,420	129,420	112,990	(16,430)	110,869
Nonbusiness	312,450	312,450	297,143	(15,307)	458,957
Total licenses and permits	<u>441,870</u>	<u>441,870</u>	<u>410,133</u>	<u>(31,737)</u>	<u>569,826</u>
Intergovernmental					
Federal					
Other Federal aid	-	-	331,330	331,330	10,820
State					
Local government aid	1,730,310	1,730,310	1,730,310	-	1,724,343
Property tax credits	-	-	12	12	-
Street maintenance aid	185,105	185,105	184,164	(941)	185,105
Fire aid	73,000	73,000	75,242	2,242	72,616
Police aid	117,200	117,200	137,803	20,603	134,474
Other State aid	18,374	18,374	21,008	2,634	21,646
County					
Other County aid	54,594	54,594	60,044	5,450	55,044
Total intergovernmental	<u>2,178,583</u>	<u>2,178,583</u>	<u>2,539,913</u>	<u>361,330</u>	<u>2,204,048</u>
Charges for services					
General government	25,600	25,600	29,288	3,688	25,018
Public safety	3,660	3,660	4,223	563	3,808
Public works	-	-	-	-	2,787
Culture and recreation	72,878	72,878	132,373	59,495	42,757
Total charges for services	<u>102,138</u>	<u>102,138</u>	<u>165,884</u>	<u>63,746</u>	<u>74,370</u>
Fines and forfeits					
Court fines	32,000	32,000	25,214	(6,786)	28,790
Parking fines	500	500	1,185	685	705
Total fines and forfeits	<u>32,500</u>	<u>32,500</u>	<u>26,399</u>	<u>(6,101)</u>	<u>29,495</u>
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>54,723</u>	<u>50,723</u>	<u>10,015</u>
Miscellaneous					
Contributions and donations	21,000	21,000	13,405	(7,595)	6,330
Rents	-	-	20,280	20,280	-
Other	138,966	138,966	118,976	(19,990)	140,719
Total miscellaneous	<u>159,966</u>	<u>159,966</u>	<u>152,661</u>	<u>(7,305)</u>	<u>147,049</u>
Total Revenues	<u>8,624,205</u>	<u>8,624,205</u>	<u>8,984,840</u>	<u>360,635</u>	<u>8,272,747</u>

City of North Mankato, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government					
Mayor and council					
Personal services	\$ 33,975	\$ 33,975	\$ 33,083	\$ 892	\$ 32,973
Supplies	500	500	-	500	149
Other services and charges	11,285	11,285	11,579	(294)	7,038
Total mayor and council	45,760	45,760	44,662	1,098	40,160
Administration					
Personal services	430,560	430,560	414,120	16,440	379,113
Supplies	53,800	53,800	36,112	17,688	33,113
Other services and charges	195,375	195,375	188,557	6,818	176,920
Total administration	679,735	679,735	638,789	40,946	589,146
City attorney					
Supplies	1,400	1,400	1,122	278	2,227
Other services and charges	110,210	110,210	112,858	(2,648)	108,997
Total city attorney	111,610	111,610	113,980	(2,370)	111,224
Total general government	837,105	837,105	797,431	39,674	740,530
Public safety					
Police protection					
Personal services	1,941,107	1,941,107	1,927,676	13,431	1,902,818
Supplies	97,400	97,400	125,763	(28,363)	98,008
Other services and charges	124,888	124,888	183,006	(58,118)	172,973
Total police protection	2,163,395	2,163,395	2,236,445	(73,050)	2,173,799
Fire protection					
Personal services	230,889	230,889	238,851	(7,962)	244,530
Supplies	45,375	45,375	59,134	(13,759)	47,894
Other services and charges	76,228	76,228	64,674	11,554	78,789
Total fire protection	352,492	352,492	362,659	(10,167)	371,213
Total public safety	2,515,887	2,515,887	2,599,104	(83,217)	2,545,012
Public works					
Street maintenance					
Personal services	717,134	717,134	798,515	(81,381)	752,392
Supplies	358,800	358,800	454,600	(95,800)	368,729
Other services and charges	224,597	224,597	312,768	(88,171)	306,161
Total street maintenance	1,300,531	1,300,531	1,565,883	(265,352)	1,427,282
Equipment maintenance					
Personal services	192,505	192,505	188,475	4,030	199,073
Supplies	72,700	72,700	63,967	8,733	75,087
Other services and charges	24,656	24,656	25,534	(878)	23,225
Total equipment maintenance	289,861	289,861	277,976	11,885	297,385
Street lighting					
Personal services	9,296	9,296	7,872	1,424	7,858
Supplies	38,000	38,000	53,000	(15,000)	70,140
Other services and charges	310,673	310,673	298,034	12,639	310,678
Total street lighting	357,969	357,969	358,906	(937)	388,676
Total public works	1,948,361	1,948,361	2,202,765	(254,404)	2,113,343

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Personal services	\$ -	\$ -	\$ 61,249	\$ (61,249)	\$ -
Supplies	38,800	38,800	28,244	10,556	22,555
Other services and charges	122,700	122,700	113,732	8,968	88,068
Total swimming pool	161,500	161,500	203,225	(41,725)	110,623
Caswell park concessions					
Personal services	-	-	-	-	(1,269)
Supplies	-	-	-	-	2,536
Other services and charges	-	-	-	-	399
Total Caswell park concessions	-	-	-	-	1,666
Caswell fields					
Personal services	-	-	-	-	(733)
Parks					
Personal services	410,055	410,055	411,800	(1,745)	412,088
Supplies	127,300	127,300	163,016	(35,716)	143,927
Other services and charges	80,886	80,886	121,171	(40,285)	87,591
Total parks	618,241	618,241	695,987	(77,746)	643,606
Library					
Personal services	369,588	369,588	362,951	6,637	314,114
Supplies	137,100	137,100	143,810	(6,710)	124,456
Other services and charges	75,778	75,778	75,893	(115)	75,054
Total library	582,466	582,466	582,654	(188)	513,624
Bookmobile					
Personal services	75,552	75,552	74,966	586	68,428
Supplies	18,515	18,515	12,565	5,950	25,100
Other services and charges	3,909	3,909	2,627	1,282	2,763
Total bookmobile	97,976	97,976	90,158	7,818	96,291
Total culture and recreation	1,460,183	1,460,183	1,572,024	(111,841)	1,365,077
Housing and economic development					
Community development					
Personal services	401,825	401,825	355,816	46,009	393,896
Supplies	19,000	19,000	13,948	5,052	10,824
Other services and charges	231,919	231,919	246,247	(14,328)	223,892
Total housing and economic development	652,744	652,744	616,011	36,733	628,612

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019		Actual Amounts	Variance with Final Budget	2018
	Budgeted Amounts Original	Final			Actual Amounts
Expenditures (Continued)					
Current (continued)					
Mass transit and other					
Mass transit					
Other services and charges	\$ 225,447	\$ 225,447	\$ 247,808	\$ (22,361)	\$ 153,700
Other					
Personal services	10,000	10,000	5,000	5,000	13,374
Other services and charges	40,300	40,300	60,499	(20,199)	29,718
Total other	50,300	50,300	65,499	(15,199)	43,092
Total mass transit and other	275,747	275,747	313,307	(37,560)	196,792
Total current	7,690,027	7,690,027	8,100,642	(410,615)	7,589,366
Capital outlay					
General government	1,700	1,700	-	1,700	22,539
Public safety	1,000	1,000	349	651	1,255
Public works	400,000	400,000	682,583	(282,583)	421,092
Culture and recreation	412,000	412,000	357,853	54,147	164,183
Housing and economic development	-	-	-	-	4,687
Total capital outlay	814,700	814,700	1,040,785	(226,085)	613,756
Total Expenditures	8,504,727	8,504,727	9,141,427	(636,700)	8,203,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	119,478	119,478	(156,587)	(276,065)	69,625
Other Financing Sources (Uses)					
Sale of capital assets	100	100	17,204	17,104	9,108
Transfers in	261,750	461,750	644,082	182,332	261,750
Transfers out	(381,000)	(535,000)	(881,035)	(346,035)	(370,606)
Total Other Financing Sources (Uses)	(119,150)	(73,150)	(219,749)	(146,599)	(99,748)
Net Change in Fund Balances	328	46,328	(376,336)	(422,664)	(30,123)
Fund Balances, January 1	4,157,551	4,157,551	4,157,551	-	4,187,674
Fund Balances, December 31	\$ 4,157,879	\$ 4,203,879	\$ 3,781,215	\$ (422,664)	\$ 4,157,551

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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, 2019

	312	316	318	319	308
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	Capital Improvement Bonds of 2008
Assets					
Cash and temporary investments	\$ -	\$ 1,374,050	\$ 5,593	\$ 115,395	\$ -
Receivables					
Special assessments					
Delinquent	-	-	333	-	-
Noncurrent	9,818	961,882	79,200	310,821	-
Intergovernmental	-	-	7	-	-
Total Assets	<u>\$ 9,818</u>	<u>\$ 2,335,932</u>	<u>\$ 85,133</u>	<u>\$ 426,216</u>	<u>\$ -</u>
Liabilities					
Due to other funds	\$ -	\$ 895,104	\$ -	\$ -	\$ -
Due to other governments	-	-	5,600	-	-
Total Liabilities	<u>-</u>	<u>895,104</u>	<u>5,600</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	9,818	961,882	79,533	310,821	-
Unavailable revenue - intergovernmental	-	-	-	-	-
Total Deferred Inflows of Resources	<u>9,818</u>	<u>961,882</u>	<u>79,533</u>	<u>310,821</u>	<u>-</u>
Fund Balances					
Restricted	-	478,946	-	115,395	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,818</u>	<u>\$ 2,335,932</u>	<u>\$ 85,133</u>	<u>\$ 426,216</u>	<u>\$ -</u>

347	348	311	349	350	356	357	358	368
2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2012A G.O. Refunding Bonds	2015A G.O. Improvement Bonds	2009A G. O. Refunding Bonds
\$ 405,495	\$ 100	\$ -	\$ 282,908	\$ -	\$ 24,133	\$ -	\$ -	\$ -
-	-	-	-	-	8,822	-	-	-
316,733	17,520	-	12,517	714,678	223,007	-	348,286	-
22,712	-	-	1,205,395	-	33,264	-	-	-
<u>\$ 744,940</u>	<u>\$ 17,620</u>	<u>\$ -</u>	<u>\$ 1,500,820</u>	<u>\$ 714,678</u>	<u>\$ 289,226</u>	<u>\$ -</u>	<u>\$ 348,286</u>	<u>\$ -</u>
\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	100	-	-	-	-	-	-	-
316,733	17,520	-	12,517	714,678	231,829	-	348,286	-
-	-	-	1,205,000	-	-	-	-	-
316,733	17,520	-	1,217,517	714,678	231,829	-	348,286	-
428,207	-	-	283,303	-	57,397	-	-	-
<u>\$ 744,940</u>	<u>\$ 17,620</u>	<u>\$ -</u>	<u>\$ 1,500,820</u>	<u>\$ 714,678</u>	<u>\$ 289,226</u>	<u>\$ -</u>	<u>\$ 348,286</u>	<u>\$ -</u>

City of North Mankato, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2019

	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	Totals
Assets					
Cash and temporary investments	\$ -	\$ 30,834	\$ 29,744	\$ -	\$ 2,268,252
Receivables					
Special assessments					
Delinquent	-	-	-	-	9,155
Noncurrent	-	-	-	98,977	3,093,439
Intergovernmental	-	-	-	-	1,261,378
Total Assets	<u>\$ -</u>	<u>\$ 30,834</u>	<u>\$ 29,744</u>	<u>\$ 98,977</u>	<u>\$ 6,632,224</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 895,204
Due to other governments	-	-	-	-	5,600
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900,804</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	98,977	3,102,594
Unavailable revenue - intergovernmental	-	-	-	-	1,205,000
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,977</u>	<u>4,307,594</u>
Fund Balances					
Restricted	-	30,834	29,744	-	1,423,826
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 30,834</u>	<u>\$ 29,744</u>	<u>\$ 98,977</u>	<u>\$ 6,632,224</u>

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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, 2019

	312	316	318	319	308	347
	2014A G.O. Bonds	Bond Reserve	2018A G.O. Bonds	2019A G.O. Bonds	Capital Improvement Bonds of 2008	2007 G.O. Improvement Bonds
Revenues						
Taxes						
Property taxes	\$ -	\$ 1,568,790	\$ -	\$ -	\$ -	\$ -
Special assessments	1,453	13,513	13,936	233,980	-	91,587
Intergovernmental						
State						
Street construction aid	-	-	-	-	-	-
Investment earnings	-	20,158	-	-	-	-
Total Revenues	<u>1,453</u>	<u>1,602,461</u>	<u>13,936</u>	<u>233,980</u>	<u>-</u>	<u>91,587</u>
Expenditures						
Debt service						
Principal	60,000	-	-	-	145,000	-
Interest and other costs	22,188	-	88,583	850	2,610	-
Total Expenditures	<u>82,188</u>	<u>-</u>	<u>88,583</u>	<u>850</u>	<u>147,610</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(80,735)</u>	<u>1,602,461</u>	<u>(74,647)</u>	<u>233,130</u>	<u>(147,610)</u>	<u>91,587</u>
Other Financing Sources (Uses)						
Transfers in	57,518	-	50,647	-	147,610	-
Transfers out	-	(1,340,164)	-	(117,735)	-	-
Total Other Financing Sources (Uses)	<u>57,518</u>	<u>(1,340,164)</u>	<u>50,647</u>	<u>(117,735)</u>	<u>147,610</u>	<u>-</u>
Net Change in Fund Balances	(23,217)	262,297	(24,000)	115,395	-	91,587
Fund Balances, January 1	<u>23,217</u>	<u>216,649</u>	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>336,620</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 478,946</u>	<u>\$ -</u>	<u>\$ 115,395</u>	<u>\$ -</u>	<u>\$ 428,207</u>

348	311	349	350	356	357	358	368
2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2010C G.O. Refunding Bonds	2012A G.O. Refunding Bonds	2015A G.O. Improvement Bonds	2009A G. O. Refunding Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	13,442	-	45,941	-	-	-
-	-	252,550	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	265,992	-	45,941	-	-	-
175,000	240,000	215,000	155,000	545,000	85,000	75,000	175,000
3,238	61,088	37,550	57,725	57,715	2,958	40,593	3,828
178,238	301,088	252,550	212,725	602,715	87,958	115,593	178,828
(178,238)	(301,088)	13,442	(212,725)	(556,774)	(87,958)	(115,593)	(178,828)
178,238	301,088	46,963	212,725	115,979	87,958	115,593	178,828
-	-	-	-	-	-	-	-
178,238	301,088	46,963	212,725	115,979	87,958	115,593	178,828
-	-	60,405	-	(440,795)	-	-	-
-	-	222,898	-	498,192	-	-	-
\$ -	\$ -	\$ 283,303	\$ -	\$ 57,397	\$ -	\$ -	\$ -

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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, 2019

	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	\$ -	\$ -	\$ -	\$ -	\$ 1,568,790
Special assessments	-	-	-	12,545	426,397
Intergovernmental					
State					
Street construction aid	-	-	-	-	252,550
Investment earnings	-	-	-	-	20,158
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,545</u>	<u>2,267,895</u>
Expenditures					
Debt service					
Principal	140,000	15,000	90,000	105,000	2,220,000
Interest and other costs	85,581	18,778	28,745	25,650	537,680
Total Expenditures	<u>225,581</u>	<u>33,778</u>	<u>118,745</u>	<u>130,650</u>	<u>2,757,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(225,581)</u>	<u>(33,778)</u>	<u>(118,745)</u>	<u>(118,105)</u>	<u>(489,785)</u>
Other Financing Sources (Uses)					
Transfers in	225,581	33,253	114,657	118,105	1,984,743
Transfers out	-	-	-	-	(1,457,899)
Total Other Financing Sources (Uses)	<u>225,581</u>	<u>33,253</u>	<u>114,657</u>	<u>118,105</u>	<u>526,844</u>
Net Change in Fund Balances	-	(525)	(4,088)	-	37,059
Fund Balances, January 1	<u>-</u>	<u>31,359</u>	<u>33,832</u>	<u>-</u>	<u>1,386,767</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 30,834</u>	<u>\$ 29,744</u>	<u>\$ -</u>	<u>\$ 1,423,826</u>

City of North Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	863 Minnesota River Valley Task Force	865 Tactical Response Team	866 Miss Fun Days	Total
Assets				
Cash and cash equivalents	\$ 229	\$ 10,020	\$ 43	\$ 10,292
Liabilities				
Accounts payable	-	200	-	200
Due to other governments	-	200	-	200
Total Liabilities	-	400	-	400
Net Position				
Restricted for				
Individuals, organizations, and other governments	\$ 229	\$ 9,620	\$ 43	\$ 9,892

City of North Mankato, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	863 Minnesota River Valley Task Force	865 Tactical Response Team	866 Miss Fun Days	Total
Additions				
Refunds and reimbursements	\$ -	24,135	\$ -	\$ 24,135
Donations	-	-	1,150	1,150
Total Additions	<u>-</u>	<u>24,135</u>	<u>1,150</u>	<u>25,285</u>
Deductions				
Miscellaneous	<u>-</u>	<u>19,663</u>	<u>1,107</u>	<u>20,770</u>
Net increase (decrease) in fiduciary net position	-	4,472	43	4,515
Net Position, January 1	-	-	-	-
Prior Period Restatement (Note 11)	<u>229</u>	<u>5,148</u>	<u>-</u>	<u>5,377</u>
Net Position, December 31	<u><u>\$ 229</u></u>	<u><u>\$ 9,620</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 9,892</u></u>

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City of North Mankato, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2019 and 2018

	Totals		Percent Increase (Decrease)	
	2019	2018		
Revenues				
Taxes	\$ 8,394,837	\$ 7,879,672	6.54	%
Special assessments	432,854	671,972	(35.58)	
Licenses and permits	410,133	569,826	(28.02)	
Intergovernmental	5,020,365	3,079,147	63.04	
Charges for services	544,734	320,150	70.15	
Fines and forfeits	26,399	29,495	(10.50)	
Investment earnings (loss)	100,900	18,486	445.82	
Miscellaneous	350,423	820,304	(57.28)	
	<u>\$ 15,280,645</u>	<u>\$ 13,389,052</u>	14.13	%
Total Revenues				
Per Capita	\$ 1,087	\$ 964	12.75	%
Expenditures				
Current				
General government	\$ 815,356	\$ 740,530	10.10	%
Public safety	2,599,104	2,545,012	2.13	
Public works	2,202,765	2,113,343	4.23	
Culture and recreation	2,184,279	1,844,905	18.40	
Housing and economic development	1,050,301	959,618	9.45	
Miscellaneous	313,307	196,792	59.21	
Capital outlay				
General government	180,000	33,956	430.10	
Public safety	84,163	83,810	0.42	
Public works	4,922,925	1,678,993	193.21	
Culture and recreation	3,594,954	2,520,434	42.63	
Economic development	151,583	5,732	2,544.50	
Debt service				
Principal	2,512,000	2,222,000	13.05	
Interest and other charges	577,111	667,394	(13.53)	
Bond issuance costs	6,007	98,102	(93.88)	
	<u>\$ 21,193,855</u>	<u>\$ 15,710,621</u>	34.90	%
Total Expenditures				
Per Capita	\$ 1,507	\$ 1,131	33.27	%
Total Long-Term Indebtedness	\$ 19,120,000	\$ 19,837,000	(3.61)	%
Per Capita	1,360	1,428	(4.78)	
General Fund Balance - December 31	\$ 3,985,910	\$ 4,157,551	(4.13)	%
Per Capita	284	299	(5.29)	

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.

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STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year				
	2019	2018	2017	2016	2015*
Governmental Activities					
Net investment in capital assets	\$ 31,159,895	\$ 27,823,936	\$ 26,221,794	\$ 24,879,816	\$ 25,459,305
Restricted	8,358,055	8,142,886	8,981,442	8,410,399	8,277,733
Unrestricted	74,882	85,586	(183,601)	(1,059,506)	(737,444)
Total Governmental Activities Net Position	<u>39,592,832</u>	<u>36,052,408</u>	<u>35,019,635</u>	<u>32,230,709</u>	<u>32,999,594</u>
Business-type Activities					
Net investment in capital assets	22,608,155	20,942,250	19,401,310	18,591,065	18,717,246
Unrestricted	1,496,570	1,689,082	1,750,317	1,944,589	1,818,513
Total Business-type Activities Net Position	<u>24,104,725</u>	<u>22,631,332</u>	<u>21,151,627</u>	<u>20,535,654</u>	<u>20,535,759</u>
Primary Government					
Net investment in capital assets	53,768,050	48,766,186	45,623,104	43,470,881	44,176,551
Restricted	8,358,055	8,142,886	8,981,442	8,410,399	8,277,733
Unrestricted	1,571,452	1,774,668	1,566,716	885,083	1,081,069
Total Primary Government Net Position	<u>\$ 63,697,557</u>	<u>\$ 58,683,740</u>	<u>\$ 56,171,262</u>	<u>\$ 52,766,363</u>	<u>\$ 53,535,353</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				
2014	2013	2012	2011	2010
\$ 18,290,571	\$ 19,673,984	\$ 22,078,379	\$ 21,718,486	\$ 17,936,216
8,188,704	8,745,277	7,064,989	9,836,509	9,430,699
27,057	2,792,772	2,738,240	1,925,231	5,332,038
26,506,332	31,212,033	31,881,608	33,480,226	32,698,953
17,491,003	17,093,203	16,189,284	16,548,626	16,636,920
2,716,102	3,281,817	3,169,994	3,011,862	3,002,540
20,207,105	20,375,020	19,359,278	19,560,488	19,639,460
35,781,574	36,767,187	38,267,663	38,267,112	34,573,136
8,188,704	8,745,277	7,064,989	9,836,509	9,430,699
2,743,159	6,074,589	5,908,234	4,937,093	8,334,578
<u>\$ 46,713,437</u>	<u>\$ 51,587,053</u>	<u>\$ 51,240,886</u>	<u>\$ 53,040,714</u>	<u>\$ 52,338,413</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				
	2019	2018	2017	2016	2015*
Expenses					
Governmental Activities					
General government	\$ 947,318	\$ 835,295	\$ 861,884	\$ 1,282,018	\$ 824,191
Public safety	2,832,027	2,621,043	2,582,049	2,840,353	2,054,079
Public works	4,567,564	4,240,545	3,693,176	3,387,740	2,874,244
Culture and recreation	2,537,701	2,011,001	1,961,563	2,039,352	1,737,105
Housing and economic development	1,107,339	956,740	1,015,852	2,387,348	889,363
Mass transit and other	313,307	196,792	302,532	288,787	386,098
Interest on long-term debt	562,224	708,029	552,578	686,477	1,017,615
Total Governmental Activities Expenses	<u>12,867,480</u>	<u>11,569,445</u>	<u>10,969,634</u>	<u>12,912,075</u>	<u>9,782,695</u>
Business-type Activities					
Water	1,770,227	1,600,645	1,674,978	1,677,867	1,637,985
Sewer	2,144,941	1,778,232	2,177,514	1,946,051	1,864,280
Sanitation/recycling	508,239	401,010	388,733	373,509	558,817
Solid waste	713,017	694,575	647,736	693,275	590,757
Storm water	311,100	330,787	294,943	303,974	209,573
Total Business-type Activities Expenses	<u>5,447,524</u>	<u>4,805,249</u>	<u>5,183,904</u>	<u>4,994,676</u>	<u>4,861,412</u>
Total Primary Government Expenses	<u>\$ 18,315,004</u>	<u>\$ 16,374,694</u>	<u>\$ 16,153,538</u>	<u>\$ 17,906,751</u>	<u>\$ 14,644,107</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 170,602	\$ 147,955	\$ 162,710	\$ 140,856	\$ 125,230
Public safety	321,227	485,984	380,925	334,361	380,576
Public works	8,765	11,446	7,843	6,735	2,218
Culture and recreation	534,100	321,268	241,729	204,071	171,514
Housing and economic development	149,103	75,405	77,828	128,982	71,702
Miscellaneous	-	-	-	-	-
Operating grants and contributions	541,467	508,713	473,992	504,154	522,566
Capital grants and contributions	3,819,942	1,535,738	1,076,301	1,077,024	5,822,778
Total Governmental Activities Program Revenues	<u>5,545,206</u>	<u>3,086,509</u>	<u>2,421,328</u>	<u>2,396,183</u>	<u>7,096,584</u>
Business-type Activities					
Charges for services					
Water	2,000,861	1,943,703	2,005,102	1,772,186	1,775,111
Sewer	2,397,950	2,419,264	2,453,362	2,097,858	2,056,200
Sanitation/recycling	523,719	478,332	485,091	466,183	496,243
Solid waste	751,556	746,434	741,372	736,586	720,103
Storm water	405,414	391,238	279,939	276,474	278,071
Operating grants and contributions	1,413	4,590	287	4,044	-
Capital grants and contributions	995,009	247,963	44,684	23,482	19,588
Total Business-type Activities Program Revenues	<u>7,075,922</u>	<u>6,231,524</u>	<u>6,009,837</u>	<u>5,376,813</u>	<u>5,345,316</u>
Total Primary Government Program Revenues	<u>\$ 12,621,128</u>	<u>\$ 9,318,033</u>	<u>\$ 8,431,165</u>	<u>\$ 7,772,996</u>	<u>\$ 12,441,900</u>

Table 2

Fiscal Year				
2014	2013	2012	2011	2010
\$ 782,620	\$ 1,034,873	\$ 849,434	\$ 952,893	\$ 959,723
2,245,466	2,397,246	2,370,427	2,234,322	2,264,321
5,729,610	7,230,368	6,163,789	3,698,093	3,560,018
1,632,255	1,597,289	1,892,795	1,744,224	1,674,756
1,596,016	706,987	223,016	498,794	209,738
302,116	119,821	208,994	258,873	487,047
803,195	570,917	671,015	752,795	739,561
<u>13,091,278</u>	<u>13,657,501</u>	<u>12,379,470</u>	<u>10,139,994</u>	<u>9,895,164</u>
1,595,455	1,458,952	1,433,452	1,522,644	1,473,548
1,549,721	1,354,223	1,539,133	1,498,908	1,544,390
416,917	1,267,083	1,292,299	1,263,485	1,252,643
1,006,229	-	-	-	-
258,842	269,966	153,220	181,044	173,870
<u>4,827,164</u>	<u>4,350,224</u>	<u>4,418,104</u>	<u>4,466,081</u>	<u>4,444,451</u>
<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>	<u>\$ 16,797,574</u>	<u>\$ 14,606,075</u>	<u>\$ 14,339,615</u>
\$ 143,601	\$ 133,401	\$ 145,142	\$ 112,111	\$ 106,238
269,795	311,979	455,110	598,884	436,145
4,924	6,318	37,434	130,487	3,932
119,515	192,688	218,307	245,129	248,396
74,962	25,361	36,004	8,630	7,803
-	19	70	105	131
486,412	534,427	507,249	633,072	231,029
321,726	4,025,677	1,316,674	2,460,239	1,725,806
<u>1,420,935</u>	<u>5,229,870</u>	<u>2,715,990</u>	<u>4,188,657</u>	<u>2,759,480</u>
1,818,389	1,524,399	1,615,436	1,499,185	1,523,160
2,092,942	1,535,142	1,525,340	1,510,772	1,490,287
392,086	1,292,386	1,333,111	1,394,977	1,335,497
905,274	-	-	-	-
275,168	275,025	274,823	272,689	272,530
22,359	-	-	4,994	-
7,605	4,354	3,668	(6,230)	14,438
<u>5,513,823</u>	<u>4,631,306</u>	<u>4,752,378</u>	<u>4,676,387</u>	<u>4,635,912</u>
<u>\$ 6,934,758</u>	<u>\$ 9,861,176</u>	<u>\$ 7,468,368</u>	<u>\$ 8,865,044</u>	<u>\$ 7,395,392</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015*
Program Revenues (Continued)					
Net (Expense)/Revenue					
Governmental Activities	\$ (7,322,274)	\$ (8,482,936)	\$ (8,548,306)	\$ (10,515,892)	\$ (2,686,111)
Business-type Activities	1,628,398	1,426,275	825,933	382,137	483,904
Total Primary Government Net Expense	<u>\$ 5,693,876</u>	<u>\$ 7,056,661</u>	<u>\$ 7,722,373</u>	<u>\$ 10,133,755</u>	<u>\$ 2,202,207</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 5,162,362	\$ 4,777,767	\$ 4,357,623	\$ 4,281,047	\$ 4,124,649
Property taxes, levied for debt service	1,568,790	1,591,863	1,553,036	1,541,476	1,472,150
Tax increments	378,820	375,733	388,080	289,401	312,705
Local option sales tax	679,665	583,893	569,952	582,290	588,643
Hotel-motel tax	19,596	37,456	47,430	54,156	55,209
Gambling tax	98,782	48,663	35,779	26,306	21,422
Franchise taxes	482,563	485,645	549,872	402,406	413,458
Grants and contributions not restricted to specific programs	1,742,876	1,744,328	1,733,531	1,626,188	1,633,639
Unrestricted investment earnings	100,900	18,486	9,773	20,668	5,060
Other revenues	77,454	84,660	111,643	160,660	230,285
Gain on sale of capital assets	315,204	10,098	1,002,021	359,159	163,426
Transfers	195,640	(140,527)	258,962	403,250	158,727
Total Governmental Activities	<u>10,822,652</u>	<u>9,618,065</u>	<u>10,617,702</u>	<u>9,747,007</u>	<u>9,179,373</u>
Business-Type Activities					
Taxes					
Property taxes, levied for debt service	-	-	-	-	-
Local option sales tax	-	1,333	1,412	1,380	1,367
Unrestricted investment earnings	40,635	9,592	47,590	19,628	2,110
Transfers	(195,640)	140,527	(258,962)	(403,250)	(158,727)
Total Business-type Activities	<u>(155,005)</u>	<u>151,452</u>	<u>(209,960)</u>	<u>(382,242)</u>	<u>(155,250)</u>
Total Primary Government	<u>\$ 10,667,647</u>	<u>\$ 9,769,517</u>	<u>\$ 10,407,742</u>	<u>\$ 9,364,765</u>	<u>\$ 9,024,123</u>
Changes in Net Position					
Governmental Activities	\$ 3,500,378	\$ 1,135,129	\$ 2,069,396	\$ (768,885)	\$ 6,493,262
Business-Type Activities	1,473,393	1,577,727	615,973	(105)	328,654
Total Primary Government	<u>\$ 4,973,771</u>	<u>\$ 2,712,856</u>	<u>\$ 2,685,369</u>	<u>\$ (768,990)</u>	<u>\$ 6,821,916</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				
2014	2013	2012	2011	2010
\$ (11,670,343)	\$ (8,427,631)	\$ (9,663,480)	\$ (5,951,337)	\$ (7,135,684)
686,659	281,082	334,274	210,306	191,461
<u>\$ 10,983,684</u>	<u>\$ 8,146,549</u>	<u>\$ 9,329,206</u>	<u>\$ 5,741,031</u>	<u>\$ 6,944,223</u>
\$ 3,881,293	\$ 3,802,650	\$ 3,646,058	\$ 2,894,504	\$ 3,027,372
1,530,005	1,523,672	1,380,015	1,475,843	1,413,987
340,664	-	-	-	-
531,148	536,417	545,157	462,223	440,566
48,590	46,550	47,126	40,685	42,106
18,792	16,443	16,427	13,049	13,168
355,218	344,761	336,607	332,469	326,812
1,615,275	1,375,680	1,382,828	1,456,390	1,452,797
34,076	8,337	4,259	33,678	13,917
266,429	84,632	104,107	67,840	121,274
740,948	52,813	11,052	-	-
97,101	(723,480)	376,226	241,630	293,777
<u>9,459,539</u>	<u>7,068,475</u>	<u>7,849,862</u>	<u>7,018,311</u>	<u>7,145,776</u>
-	-	50,000	50,000	50,000
1,391	1,067	1,079	965	949
4,283	10,113	4,663	1,564	1,956
(97,101)	723,480	(376,226)	(241,630)	(293,777)
<u>(91,427)</u>	<u>734,660</u>	<u>(320,484)</u>	<u>(189,101)</u>	<u>(240,872)</u>
<u>\$ 9,368,112</u>	<u>\$ 7,803,135</u>	<u>\$ 7,529,378</u>	<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>
\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)	\$ 1,066,974	\$ 10,092
595,232	1,015,742	13,790	21,205	(49,411)
<u>\$ (1,615,572)</u>	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</u>	<u>\$ (39,319)</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						
2019	\$ 5,162,362	\$ 1,568,790	\$ 378,820	\$ 679,665	\$ 19,596	\$ 98,782	\$ 482,563	\$ 8,390,578
2018	4,777,767	1,591,863	375,733	583,893	37,456	48,663	485,645	7,901,020
2017	4,357,623	1,553,036	388,080	569,952	47,430	35,779	549,872	7,501,772
2016	4,281,047	1,541,476	289,401	582,290	54,156	26,306	402,406	7,177,082
2015	4,124,649	1,472,150	312,705	588,643	55,209	21,422	413,458	6,988,236
2014 *	3,881,293	1,530,005	340,664	531,148	48,590	18,792	355,218	6,705,710
2013	3,802,650	1,523,672	-	536,417	46,550	16,443	344,761	6,270,493
2012	3,646,058	1,380,015	-	545,157	47,126	16,427	336,607	5,971,390
2011	2,894,504	1,475,843	-	462,223	40,685	13,049	332,469	5,218,773
2010	3,027,372	1,413,987	-	440,566	42,106	13,168	326,812	5,264,011

* 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				
	2019	2018	2017	2016	2015*
General Fund					
Nonspendable	\$ 1,039,310	\$ 1,103,205	\$ 1,488,287	\$ 1,475,134	\$ 1,607,122
Unassigned (Unreserved 2010)	<u>2,741,905</u>	<u>3,054,346</u>	<u>2,699,387</u>	<u>2,589,217</u>	<u>2,169,084</u>
Total General Fund	<u>\$ 3,781,215</u>	<u>\$ 4,157,551</u>	<u>\$ 4,187,674</u>	<u>\$ 4,064,351</u>	<u>\$ 3,776,206</u>
All Other Governmental Funds					
Nonspendable	\$ 868	\$ 857	\$ -	\$ -	\$ -
Restricted (Reserved 2010)	5,158,087	7,205,823	4,456,249	5,175,272	3,964,229
Committed	-	-	-	-	-
Assigned	137,834	317,216	369,214	276,841	352,166
Unassigned (Unreserved 2010)	<u>(1,247,427)</u>	<u>(772,031)</u>	<u>(1,074,426)</u>	<u>(1,890,277)</u>	<u>(1,904,750)</u>
Total All Other Governmental Funds	<u>\$ 4,049,362</u>	<u>\$ 6,751,865</u>	<u>\$ 3,751,037</u>	<u>\$ 3,561,836</u>	<u>\$ 2,411,645</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				
2014	2013	2012	2011	2010
\$ 109	\$ 86,910	\$ 86,949	\$ 76,564	\$ 79,792
3,315,595	2,702,101	2,731,388	2,085,321	2,238,480
<u>\$ 3,315,704</u>	<u>\$ 2,789,011</u>	<u>\$ 2,818,337</u>	<u>\$ 2,161,885</u>	<u>\$ 2,318,272</u>
\$ -	\$ 7,987	\$ 3,109	\$ 2,896	\$ 5,556
3,056,286	283,663	915,958	3,705,717	3,207,722
-	196,439	105,848	206,264	525,157
434,537	471,701	1,350,284	2,099,560	1,431,631
(1,458,544)	(826,926)	(1,131,951)	(1,086,396)	-
<u>\$ 2,032,279</u>	<u>\$ 132,864</u>	<u>\$ 1,243,248</u>	<u>\$ 4,928,041</u>	<u>\$ 5,170,066</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Taxes	\$ 8,394,837	\$ 7,879,672	\$ 7,547,706	\$ 7,151,989	\$ 7,054,778
Special assessments	432,854	671,972	626,722	1,081,990	1,856,215
Licenses and permits	410,133	569,826	470,642	360,412	448,871
Intergovernmental revenue	5,020,365	3,079,147	3,341,194	3,274,720	6,540,969
Charges for services	544,734	320,150	278,806	242,214	199,242
Fines and forfeits	26,399	29,495	28,220	31,247	27,578
Interest	100,900	18,486	10,183	20,668	5,060
Payment from Component Units	-	-	-	-	-
Other revenues	350,423	820,304	349,960	387,790	713,594
Total Revenues	15,280,645	13,389,052	12,653,433	12,551,030	16,846,307
Expenditures					
General government	815,356	740,530	782,884	752,144	839,835
Public safety	2,599,104	2,545,012	2,304,769	2,183,726	2,120,907
Public works	2,202,765	2,113,343	1,661,692	1,684,396	1,784,547
Culture and recreation	2,184,279	1,844,905	1,685,943	1,682,465	1,485,325
Housing and economic development	1,050,301	959,618	938,991	858,799	863,831
Miscellaneous	313,307	196,792	302,532	288,787	358,907
Capital outlay	8,933,625	4,322,925	1,373,968	3,184,584	9,065,255
Debt service					
Principal	2,512,000	2,077,000	4,232,000	2,322,000	3,380,567
Interest	577,111	623,902	623,082	707,537	959,390
Bond issuance costs	6,007	98,102	-	37,015	83,173
Total Expenditures	21,193,855	15,522,129	13,905,861	13,701,453	20,941,737
Deficiency of Revenues					
Under Expenditures	(5,913,210)	(2,133,077)	(1,252,428)	(1,150,423)	(4,095,430)
Other Financing Sources (Uses)					
Sale of capital assets	392,204	29,198	1,014,892	352,874	166,105
Transfers in	2,769,654	1,761,545	1,694,028	1,310,607	1,167,614
Debt issued	1,795,000	4,670,000	-	1,800,000	4,590,000
Refunding bonds issued	-	-	-	-	-
Premium (discount) on bonds issued	18,871	56,134	-	32,635	127,443
Payments to refunded bond escrow agent	-	-	-	-	-
Transfers out	(2,181,404)	(1,413,095)	(1,143,968)	(907,357)	(1,115,864)
Total Other Financing Sources (Uses)	2,794,325	5,103,782	1,564,952	2,588,759	4,935,298
Net Change in Fund Balances	\$ (3,118,885)	\$ 2,970,705	\$ 312,524	\$ 1,438,336	\$ 839,868
Debt service as a percentage of noncapital expenditures	24%	24%	38%	29%	39%

* 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				
2014*	2013	2012	2011	2010
\$ 6,696,431	\$ 6,264,476	\$ 5,976,295	\$ 5,278,200	\$ 5,217,778
1,133,696	1,252,603	928,169	766,699	709,385
357,809	388,769	526,752	521,628	477,704
2,331,472	2,949,485	2,679,783	4,141,816	3,145,988
134,075	166,102	164,332	296,974	166,744
20,068	21,599	27,172	29,492	37,566
34,217	8,337	3,708	33,678	13,917
-	(350,000)	(350,000)	-	-
782,761	616,150	774,640	695,383	299,969
<u>11,490,529</u>	<u>11,317,521</u>	<u>10,730,851</u>	<u>11,763,870</u>	<u>10,069,051</u>
785,958	992,041	927,260	937,067	906,426
2,071,637	2,209,974	2,171,535	2,093,243	1,972,956
1,880,130	1,707,461	1,776,726	1,870,220	1,524,184
1,397,997	1,327,214	1,522,910	1,528,750	1,490,825
1,005,448	705,627	223,016	498,757	209,738
250,780	116,638	110,127	154,165	178,640
3,463,555	2,430,920	5,242,222	3,846,946	3,726,148
3,147,726	2,136,130	2,440,000	3,933,000	3,796,000
746,813	620,370	688,637	760,628	788,915
68,148	-	16,348	-	-
<u>14,818,192</u>	<u>12,246,375</u>	<u>15,118,781</u>	<u>15,622,776</u>	<u>14,593,832</u>
<u>(3,327,663)</u>	<u>(928,854)</u>	<u>(4,387,930)</u>	<u>(3,858,906)</u>	<u>(4,524,781)</u>
740,948	52,813	-	-	-
1,768,333	1,835,086	1,001,497	3,535,474	3,328,062
2,845,000	-	1,000,423	3,215,000	3,055,000
-	-	-	-	3,455,000
131,790	-	-	3,864	11,401
-	(615,000)	-	-	-
(1,707,977)	(1,514,507)	(642,331)	(3,293,844)	(3,034,285)
<u>3,778,094</u>	<u>(241,608)</u>	<u>1,359,589</u>	<u>3,460,494</u>	<u>6,815,178</u>
<u>\$ 450,431</u>	<u>\$ (1,170,462)</u>	<u>\$ (3,028,341)</u>	<u>\$ (398,412)</u>	<u>\$ 2,290,397</u>
32%	20%	25%	39%	40%

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
2019	\$ 6,735,411	\$ 378,820	\$ 679,665	\$ 482,563	\$ 19,596	\$ 98,782	\$ 8,394,837
2018	6,348,282	375,733	583,893	485,645	37,456	48,663	7,879,672
2017	5,956,593	388,080	569,952	549,872	47,430	35,779	7,547,706
2016	5,797,430	289,401	582,290	402,406	54,156	26,306	7,151,989
2015 *	5,675,591	300,455	588,643	413,458	55,209	21,422	7,054,778
2014	5,402,019	340,664	531,148	355,218	48,590	18,792	6,696,431
2013	5,320,305	-	536,417	344,761	46,550	16,443	6,264,476
2012	5,030,978	-	545,157	336,607	47,126	16,427	5,976,295
2011	4,429,774	-	462,223	332,469	40,685	13,049	5,278,200
2010	4,395,126	-	440,566	326,812	42,106	13,168	5,217,778

* 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						
2019	\$ 9,568,403	\$ 3,650,690	\$ 213,252	\$ 319,666	\$ 13,112,679	50.950	\$ 1,134,510,200	1.18	%
2018	8,678,761	3,436,750	210,311	313,969	12,011,853	52.124	1,111,278,600	1.11	
2017	8,176,648	3,190,937	203,232	314,983	11,255,834	52.485	974,012,800	1.19	
2016	7,766,976	3,097,452	202,626	257,824	10,809,230	53.606	920,184,000	1.20	
2015	7,539,514	2,922,120	196,518	255,229	10,402,923	52.901	898,283,600	1.19	
2014	7,147,698	2,873,806	181,968	240,045	9,963,427	54.009	856,913,700	1.19	
2013	7,058,140	2,870,300	175,764	242,538	9,861,666	54.566	934,541,100	1.08	
2012	7,423,295	2,639,795	166,920	52,436	10,177,574	50.598	870,672,800	1.17	
2011	7,432,722	2,652,834	193,966	35,130	10,244,392	45.425	874,093,000	1.18	
2010	7,845,345	2,681,586	151,936	80,835	10,598,032	45.626	923,805,200	1.16	

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	
2019	38.992 %	11.958 %	50.950 %	54.049 %	22.441 %	0.465 %	127.905 %
2018	41.639	10.485	52.124	55.169	22.247	0.491	130.031
2017	39.689	12.796	52.485	52.610	22.417	0.474	127.986
2016	39.345	14.261	53.606	52.661	24.115	0.480	130.862
2015	38.242	14.659	52.901	49.380	22.600	0.450	125.331
2014	38.660	15.349	54.009	51.244	24.078	0.323	129.654
2013	39.123	15.443	54.566	52.383	18.924	0.188	126.061
2012	36.554	14.044	50.598	54.067	20.991	0.190	125.846
2011	31.028	14.397	45.425	53.150	19.115	0.187	117.877
2010	31.751	13.875	45.626	51.871	19.604	0.185	117.286

Source: Nicollet County Auditor

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

Table 9

Taxpayer	Type of Business	2019			2010		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 281,330	1	2.1 %	\$ 348,212	1	3.3 %
Kato Engineering	Electric rotating equipment	130,748	2	1.0	123,326	2	1.2
Costumes Galore	Costumes	124,848	3	1.0	-	-	-
Craig Theunick	Residential	101,910	4	0.8	-	-	-
Monarch Meadows	Residential	96,435	5	0.7	83,482	5	0.8
Carlson Wedding Service	Specialty printing	96,130	6	0.7	105,340	4	1.0
Corporate Graphics	Printing	95,298	7	0.7	83,258	6	0.8
Wis-Pak of Mankato	Bottling	94,620	8	0.7	110,632	3	1.0
Minnegasco	Public Utility	90,258	9	0.7	-	-	-
Ziegler Mankato	Heavy equipment sales and service	83,174	10	0.6	-	-	-
Carlson Craft Commercial	Specialty printing	-	-	-	79,052	7	0.7
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>\$ 1,194,751</u>		<u>9.0 %</u>	<u>\$1,133,047</u>		<u>10.7 %</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
2019	\$ 6,683,838	\$ 6,626,266	99.1 %	\$ -	\$ 6,626,266	99.1 %
2018	6,288,751	6,268,740	99.7	20,011	6,288,751	100.0
2017	5,910,292	5,876,562	99.4	33,730	5,910,292	100.0
2016	5,794,404	5,776,735	99.7	11,403	5,788,138	99.9
2015	5,596,414	5,552,914	99.2	33,615	5,586,529	99.8
2014	5,383,784	5,332,446	99.0	41,374	5,373,820	99.8
2013	5,383,784	5,330,133	99.0	48,069	5,378,202	99.9
2012	5,152,123	5,107,411	99.1	41,310	5,148,721	99.9
2011	4,814,154	4,757,059	98.8	55,069	4,812,128	100.0
2010	4,814,154	4,734,892	98.4	77,478	4,812,370	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
2019	\$ 8,768,508	\$ 941,355	\$ 8,293,209	\$ 1,397,731	\$ -	\$ -
2018	9,040,683	1,046,439	7,934,715	1,816,326	292,000	-
2017	5,387,792	1,116,583	8,380,704	2,219,921	404,000	-
2016	5,951,991	1,181,723	11,936,692	2,608,516	516,000	-
2015	5,991,378	1,246,863	11,880,678	2,967,111	628,000	-
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	-	628,000
2013	5,526,338	-	12,327,748	3,664,301	792,293	-
2012	2,638,766	-	14,550,828	2,902,896	105,423	3,215,000
2011	2,488,000	-	15,885,000	3,260,000	45,000	3,215,000
2010	2,963,000	-	19,125,000	3,418,000	105,000	-

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				
\$ 6,494,736	\$ 707,410	\$ 26,602,949	4.81 %	\$	1,885
5,972,881	812,559	26,915,603	5.05		1,934
9,075,484	928,980	27,513,464	5.32		1,981
9,488,786	1,045,401	32,729,109	6.56		2,369
10,601,119	1,148,513	34,463,662	7.22		2,532
5,441,648	1,855,614	30,647,333	6.66		2,267
6,016,600	1,919,760	30,247,040	6.77		2,237
6,578,565	1,983,906	31,975,384	7.40		2,375
7,911,190	1,120,000	33,924,190	8.13		2,533
8,520,257	1,180,000	35,311,257	8.71		2,636

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
2019	\$ 8,768,508	\$ 941,355	\$ 8,293,209	\$ 1,397,731	\$ 6,494,736	\$ 707,410
2018	9,040,683	1,046,439	7,934,715	1,816,326	5,972,881	812,559
2017	5,387,792	1,116,583	8,380,704	2,219,921	9,075,484	928,980
2016	5,951,991	1,181,723	11,936,692	2,608,516	9,488,786	1,045,401
2015	5,991,378	1,246,863	11,880,678	2,967,111	10,601,119	1,148,513
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	5,441,648	1,855,614
2013	5,526,338	-	12,327,748	3,664,301	6,016,600	1,919,760
2012	2,638,766	-	14,550,828	2,902,896	6,578,565	1,983,906
2011	2,488,000	-	15,885,000	3,260,000	7,911,190	1,120,000
2010	2,963,000	-	19,125,000	3,418,000	8,520,257	1,180,000

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

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

Table 12

Total Primary Government	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 26,602,949	\$ 1,423,826	\$ 25,179,123	2.22 %	\$ 1,784
26,623,603	1,386,767	25,236,836	2.27	1,814
27,109,464	858,650	26,250,814	2.70	1,890
32,213,109	859,809	31,353,300	3.41	2,270
33,835,662	542,661	33,293,001	3.71	2,446
30,019,333	494,778	29,524,555	3.45	2,184
29,454,747	410,177	29,044,570	3.11	2,148
28,654,961	77,039	28,577,922	3.28	2,123
30,664,190	15,868	30,648,322	3.51	2,288
35,206,257	48,198	35,158,059	3.81	2,625

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City of North Mankato, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2019

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt			
City of North Mankato	<u>\$ 19,400,803</u>	100.00 %	<u>\$ 19,400,803</u>
Overlapping Debt			
Nicollet County	16,685,000	25.74	4,294,719
Blue Earth County	26,864,311	0.01	1,773
Independent School Dist. 77	<u>81,533,708</u>	17.32	<u>14,121,638</u>
Total overlapping debt	<u>125,083,019</u>		<u>18,418,130</u>
Total Direct and Overlapping Debt	<u><u>\$ 144,483,822</u></u>		<u><u>\$ 37,818,933</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

	2019	2018	2017	2016	2015
Debt Limit	\$ 34,035,306	\$ 33,338,358	\$ 29,220,384	\$ 27,605,520	\$ 26,948,508
Total Net Debt Applicable to Limit	<u>8,768,508</u>	<u>9,040,683</u>	<u>5,387,792</u>	<u>5,951,991</u>	<u>5,991,378</u>
Legal Debt Margin	<u>\$ 25,266,798</u>	<u>\$ 24,297,675</u>	<u>\$ 23,832,592</u>	<u>\$ 21,653,529</u>	<u>\$ 20,957,130</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	25.76%	27.12%	18.44%	21.56%	22.23%

Total Estimated Market Value	<u>\$ 1,134,510,200</u>
Debt limit (3% of total assessed value)	34,035,306
Debt applicable to limit:	
General obligation bonds	<u>8,768,508</u>
Total net debt applicable to limit	<u>8,768,508</u>
Legal Debt Margin	<u>\$ 25,266,798</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>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 25,707,411	\$ 28,036,233	\$ 26,120,184	\$ 26,222,790	\$ 27,714,156
<u>8,169,700</u>	<u>5,526,338</u>	<u>2,638,766</u>	<u>2,488,000</u>	<u>2,963,000</u>
<u>\$ 17,537,711</u>	<u>\$ 22,509,895</u>	<u>\$ 23,481,418</u>	<u>\$ 23,734,790</u>	<u>\$ 24,751,156</u>
31.78%	19.71%	10.10%	9.49%	10.69%

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	
2019	\$ 6,092,954	\$ 4,354,802	\$ 1,738,152	\$ 839,022	\$ 158,267	\$ 997,289	1.74
2018	5,994,486	3,723,588	2,270,898	1,023,480	250,667	1,274,147	1.78
2017	6,014,155	4,055,954	1,958,201	924,179	247,899	1,172,078	1.67
2016	5,363,104	3,827,379	1,535,725	1,454,009	263,089	1,717,098	0.89
2015	5,274,560	3,731,462	1,543,098	828,674	317,525	1,146,199	1.35
2014	5,489,533	3,766,201	1,723,332	640,829	278,265	919,094	1.88
2013	4,638,132	3,276,870	1,361,262	627,842	303,009	930,851	1.46
2012	4,804,452	3,261,394	1,543,058	724,922 ⁽³⁾	316,574	1,041,496	1.48
2011	4,728,916	3,344,575	1,384,341	669,067	343,913	1,012,980	1.37
2010	4,679,466	3,165,201	1,514,265	652,335	360,467	1,012,802	1.50

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
2019	14,114	\$ 552,873,608	\$ 39,172	38.0	8,685	2.6 %
2018	13,914	533,309,706	38,329	38.0	8,508	2.5
2017	13,889	516,851,357	37,213	38.4	8,396	2.6
2016	13,813	499,049,877	36,129	38.9	8,381	2.4
2015	13,610	477,397,970	35,077	36.8	8,076	3.2
2014	13,520	460,423,600	34,055	37.7	7,718	2.6
2013	13,520	447,011,760	33,063	35.5	7,598	4.1
2012	13,462	432,130,200	32,100	35.5	7,354	4.4
2011	13,394	417,424,010	31,165	33.8	7,392	5.6
2010	13,394	405,262,258	30,257	33.8	7,258	4.6

Source: Minnesota Department of Employment and Economic Development.

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

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

Table 17

	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Taylor Companies (various subsidiaries)	2,539	1	4.1 %	2,000	1	3.7 %
Mayo Clinic Health System (Formerly ISJ Hospital)	1,871	2	3.1	1,828	3	3.4
Independent School District 77 (Mankato)	1,700	3	2.8	2,000	2	3.7
Minnesota State University Mankato	1,599	4	2.6	1,450	4	2.7
Mankato Clinic	689	5	1.1	725	5	1.3
Wal-Mart Distribution Center	530	6	0.9	N/A		-
Blue Earth County	475	7	0.8	N/A		-
Kato Engineering	434	8	0.7	N/A		-
MRCI	319	9	0.5	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>10,456</u>		<u>17.1 %</u>	<u>10,457</u>		<u>19.2 %</u>
Total City Employment	<u>61,251</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				
	2019	2018	2017	2016	2015
General Government	4.8	3.8	3.5	4.0	9.5
Community Development	1.6	2.5	2.0	2.0	-
Public Safety					
Police					
Officers	15.0	15.0	14.0	13.0	14.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	3.3	3.3	4.0	4.0	4.0
Public Works					
Maintenance	10.8	10.6	9.3	8.3	10.0
Culture and Recreation					
Parks	5.8	5.3	5.0	4.8	4.0
Library	8.0	8.5	7.0	6.5	5.5
Swim Facility	1.0	-	-	-	-
Water	6.9	6.6	6.3	6.6	5.0
Sewer	4.6	3.6	2.5	4.6	2.0
Storm Water	1.2	1.0	1.0	1.0	-
Recycling	1.5	1.5	1.5	1.5	-
Solid Waste	1.0	1.0	1.0	1.0	1.5
Total	<u>67.0</u>	<u>64.2</u>	<u>58.6</u>	<u>58.8</u>	<u>57.0</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2014	2013	2012	2011	2010
9.5	10.5	11.5	11.5	11.5
-	-	-	-	-
13.0	13.0	13.0	12.0	12.0
1.5	1.5	1.5	1.5	1.5
4.0	4.0	4.0	5.0	5.0
10.0	10.0	10.0	10.0	11.0
5.0	5.0	5.0	7.0	6.0
5.5	6.5	6.5	6.5	6.5
-	-	-	-	-
5.0	6.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0
-	-	-	-	-
-	-	-	-	-
1.5	1.5	1.5	1.5	1.5
<u>57.0</u>	<u>60.0</u>	<u>61.00</u>	<u>63.0</u>	<u>63.0</u>

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Physical arrests	-	-	-	-	836
Reports of service	8,570	8,479	8,013	6,797	-
Accidents	237	233	195	216	220
Police reserve volunteer hours	1,376	1,322	1,632	1,002	1,200
Educational programs	30	37	39	26	24
Fire					
Number of calls answered	128	137	109	95	104
Public Works					
Street seal coating (miles)	12.0	8.0	5.0	9.0	7.0
Solid Waste					
Refuse collected (tons)	3,589	3,422	3,412	3,379	3,466
Culture and Recreation					
Swim facility attendance	21,345	11,082	13,331	15,663	15,095
Library circulation (items checked out)	153,556	158,473	163,075	158,001	173,761
Bookmobile circulation	18,217	18,238	18,518	28,117	21,796
Water					
Total connections	7,107	7,021	6,970	6,903	6,921
Average daily consumption (thousands of gallons)	1,222	1,208	1,236	1,185	1,250

Sources: Various City departments.

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

Table 19

Fiscal Year				
2014	2013	2012	2011	2010
796	731	707	797	1,217
-	-	-	-	-
220	196	171	198	125
1,118	1,480	1,318	1,392	1,503
16	18	14	17	16
141	100	126	108	147
7.2	7.8	6.6	8.7	4.8
3,433	3,510	3,331	3,573	3,760
14,764	17,456	20,114	21,037	21,970
243,675	251,467	266,163	261,061	236,863
29,667	39,309	39,309	41,082	30,947
6,682	6,572	6,480	6,375	6,349
1,442	1,326	1,463	1,282	1,280

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
General Government					
Planning and zoning					
Building permits issued	1,296	1,142	1,168	1,104	946
Public Safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	15	15	14	13	14
Volunteer police reserves	16	16	15	19	15
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	36	36	30	32	35
I.S.O. Rating	4	4	4	4	4
Public Works					
Street division					
Miles of street	83.00	77.73	77.73	77.00	77.00
Signalized intersections	5	5	5	5	5
Parks division					
Parks	21	21	21	21	21
Area in acres	278	278	278	278	278
Baseball diamonds	14	14	14	14	14
Basketball courts	8	8	8	8	8
Horseshoe courts	12	12	12	12	12
Trails	6	6	6	6	6
Skating rinks/outdoor	2	2	5	5	5
Soccer fields	5	5	13	13	13
Softball diamonds	13	13	11	11	11
Swimming facility	11	11	1	1	1
Tennis courts	1	1	8	8	8
Volleyball courts	8	8	9	9	9
	9	9			
Utilities					
Municipal water					
Connections	7,107	7,021	6,970	6,903	6,854
Average daily consumption (thousands of gallons)	1,222	1,208	1,236	1,185	1,250
Maximum daily consumption (thousands of gallons)	2,749	2,120	2,386	3,259	2,680

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2014	2013	2012	2011	2010
916	980	1,574	1,750	2,190
1	1	1	1	1
13	13	13	12	12
15	18	17	19	17
2	2	2	2	2
36	34	35	35	36
4	4	4	4	5
77.00	77.00	77.06	75.37	68.50
5	5	6	6	6
21	21	21	21	20
278	251	251	251	250
14	14	14	14	14
8	8	8	8	8
12	13	12	13	13
6	6	6	6	6
5	5	5	5	5
13	10	10	-	-
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,682	6,572	6,480	6,375	6,349
1,442	1,326	1,463	1,282	1,280
2,480	2,412	3,030	2,267	2,466

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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, 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 29, 2020.

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

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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2020

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, 2019, 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 29, 2020.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2019-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

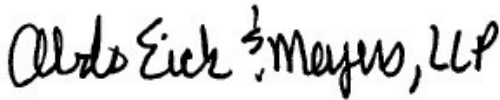
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Aldo Eick & Meyers, LLP". The signature is written in a cursive, flowing style.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2020

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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019



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

Honorable Mayor and City Council
City of North Mankato, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of North Mankato, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

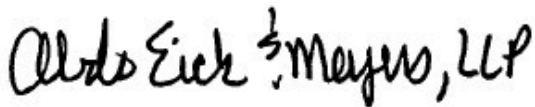
Report on Internal Control Over Compliance

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

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

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

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 29, 2020

City of North Mankato, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation	Direct	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	16.607	Direct	\$ 6,894
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	150-070-001/ 150-119-003	971,260
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	EMPG-20190508-1209/ EMPG-20190603-1273/ EMPG-20190627-1426	<u>170,728</u>
Total Federal Expenditures					<u><u>\$ 1,148,882</u></u>

City of North Mankato, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of North Mankato, Minnesota (the City) under programs of the federal government for the year ended December 31, 2019. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies for Expenditures

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

3. Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

4. Subrecipients

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

5. Indirect Cost Rate

During the year ended December 31, 2019, the City did not elect to use the 10 percent de minimis indirect cost rate.

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City of North Mankato, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs/Projects

	CFDA No.
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

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

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Corrective Action Plans

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

Section V - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

City of North Mankato, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-001	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, Responses and Questioned Costs (Continued)
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-002	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 entries: <ul style="list-style-type: none">• To adjust various capital asset activity.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

City of North Mankato, Minnesota
Schedule of Prior Year Findings
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2018-001	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.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made to address this finding since the prior year.

City of North Mankato, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2018-002	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 entries: <ul style="list-style-type: none">• To adjust various capital asset activity.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
	Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made to address this finding since the prior year.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

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

2. Actions Planned in Response to Finding:

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

3. Official Responsible for Ensuring CAP:

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

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2020.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,



Kevin McCann

Finance Director

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

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

3. Official Responsible for Ensuring CAP:

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

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2020.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,



Kevin McCann

Finance Director