

CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
December 31, 2019

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

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SCOTT COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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CITY OF PRIOR LAKE
SCOTT COUNTY, MINNESOTA

Elected and Appointed Officials
As of December 31, 2019

ELECTED

		<u>Term Expires</u>
Kirt Briggs	Mayor	12/31/2020
Zach Braid	Councilmember	12/31/2020
Kevin Burkart	Councilmember	12/31/2020
Warren Erickson	Councilmember	12/31/2022
Annette Thompson	Councilmember	12/31/2022

APPOINTED

Jason Wedel	City Manager
Cathy Erickson	Finance Director
Jason Etter	Accounting Manager

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FINANCIAL SECTION

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Prior Lake, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prior Lake, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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.

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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, supplemental information, and other information section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other information sections 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.

(continued)

Prior Year Comparative Information

We have previously audited the City's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 15, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 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, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota

May 18, 2020

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CITY OF PRIOR LAKE

Management's Discussion and Analysis Fiscal Year Ended December 31, 2019

As the management of the City of Prior Lake, Minnesota (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.

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 \$207,222,292 (*net position*). Of this amount, \$18,556,026 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$10,432,245.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,962,258, a decrease of \$2,032,194 in comparison with the prior year.
- At the end of the current fiscal year, the unrestricted fund balance (which includes committed, assigned, and unassigned classifications) for the General Fund was \$7,903,175, or 53.9 percent, of budgeted 2020 expenditures, and transfers out of \$14,656,748. The total fund balance reflects an increase of \$689,773 from the prior year and an increase of \$1,006,632 from the amended budget. The amended budget reflected the use of fund balance of \$316,859 for a city-wide telephone system, funding a transfer to the Severance Compensation Fund, replenishment of fuel and ice management materials, and projects carried over from 2018. The increase in fund balance is primarily due to increased revenues from building permits and fees and expenditures less than planned, primarily in maintenance, professional services, and utilities.
- Of the total fund balance of \$7,903,175, \$324,712 is assigned for the 2020 budget for a transfer to the Economic Development Authority (EDA) for strategic initiatives, city website redesign, and projects carried over from 2019. The unassigned amount of \$7,578,463 is 51.7 percent of budgeted 2020 expenditures and transfers out of \$14,656,748.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 economic development. The business-type activities of the City include water, sewer, and water quality operations.

The government-wide financial statements can be found in the financial section following this report.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city'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 of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Construction Fund, all of which are considered 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 are 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 this fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

Proprietary Funds – The City maintains two types 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, and water quality operations.

Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise funds, all of which are considered to be major funds of the City.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for severance compensation and insurance benefits. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements, labeled Governmental Activities – Internal Service Funds. Because these internal service fund activities predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in the financial section of this report immediately following the governmental fund statements.

Notes to Basic Financial Statements – The notes to basic financial statements 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 basic financial statements can be found following the proprietary fund statements within the financial section of this report.

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules (presented as supplemental information) referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

Further, an other information section has been included as part of the financial statements to facilitate additional analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$207,222,292 at the close of the most recent fiscal year.

The City's investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding, totaled 87.2 percent of total net position. 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.

The following table provides the City's Summary of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 35,015,361	\$ 34,335,059	\$ 10,461,812	\$ 10,343,542	\$ 45,477,173	\$ 44,678,601
Capital assets	<u>152,157,816</u>	<u>149,257,662</u>	<u>71,130,568</u>	<u>64,672,620</u>	<u>223,288,384</u>	<u>213,930,282</u>
Total assets	<u>\$ 187,173,177</u>	<u>\$ 183,592,721</u>	<u>\$ 81,592,380</u>	<u>\$ 75,016,162</u>	<u>\$ 268,765,557</u>	<u>\$ 258,608,883</u>
Deferred outflows of resources						
Pension and OPEB plan deferments	<u>\$ 3,544,708</u>	<u>\$ 4,366,049</u>	<u>\$ 111,916</u>	<u>\$ 182,120</u>	<u>\$ 3,656,624</u>	<u>\$ 4,548,169</u>
Liabilities						
Long-term liabilities	\$ 46,988,267	\$ 48,847,077	\$ 4,083,650	\$ 4,210,298	\$ 51,071,917	\$ 53,057,375
Other liabilities	<u>7,256,426</u>	<u>3,819,740</u>	<u>1,846,603</u>	<u>2,986,575</u>	<u>9,103,029</u>	<u>6,806,315</u>
Total liabilities	<u>\$ 54,244,693</u>	<u>\$ 52,666,817</u>	<u>\$ 5,930,253</u>	<u>\$ 7,196,873</u>	<u>\$ 60,174,946</u>	<u>\$ 59,863,690</u>
Deferred inflows of resources						
Pension and OPEB plan deferments	<u>\$ 4,787,351</u>	<u>\$ 6,200,450</u>	<u>\$ 237,592</u>	<u>\$ 302,865</u>	<u>\$ 5,024,943</u>	<u>\$ 6,503,315</u>
Net position						
Net investment in capital assets	\$ 112,279,178	\$ 107,929,953	\$ 68,398,856	\$ 61,697,384	\$ 180,678,034	\$ 169,627,337
Restricted	7,988,232	8,491,635	-	-	7,988,232	8,491,635
Unrestricted	<u>11,418,431</u>	<u>12,669,915</u>	<u>7,137,595</u>	<u>6,001,160</u>	<u>18,556,026</u>	<u>18,671,075</u>
Total net position	<u>\$ 131,685,841</u>	<u>\$ 129,091,503</u>	<u>\$ 75,536,451</u>	<u>\$ 67,698,544</u>	<u>\$ 207,222,292</u>	<u>\$ 196,790,047</u>

An additional portion of the City's net position (\$7,988,232, or 3.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,556,026, may be used to meet the government's ongoing obligations to citizens and creditors.

The significant reduction in deferred outflows of resources, long-term liabilities, and deferred inflows of resources relates to improvements in portfolio earnings in the Public Employees Retirement Association (PERA) pension plans in 2019. The Governmental Accounting Standards Board (GASB) Statement No. 68 requires the City to recognize its proportionate share of pension benefit obligations.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Table 2
Changes in Net Position
for the Years Ended December 31, 2019 and 2018

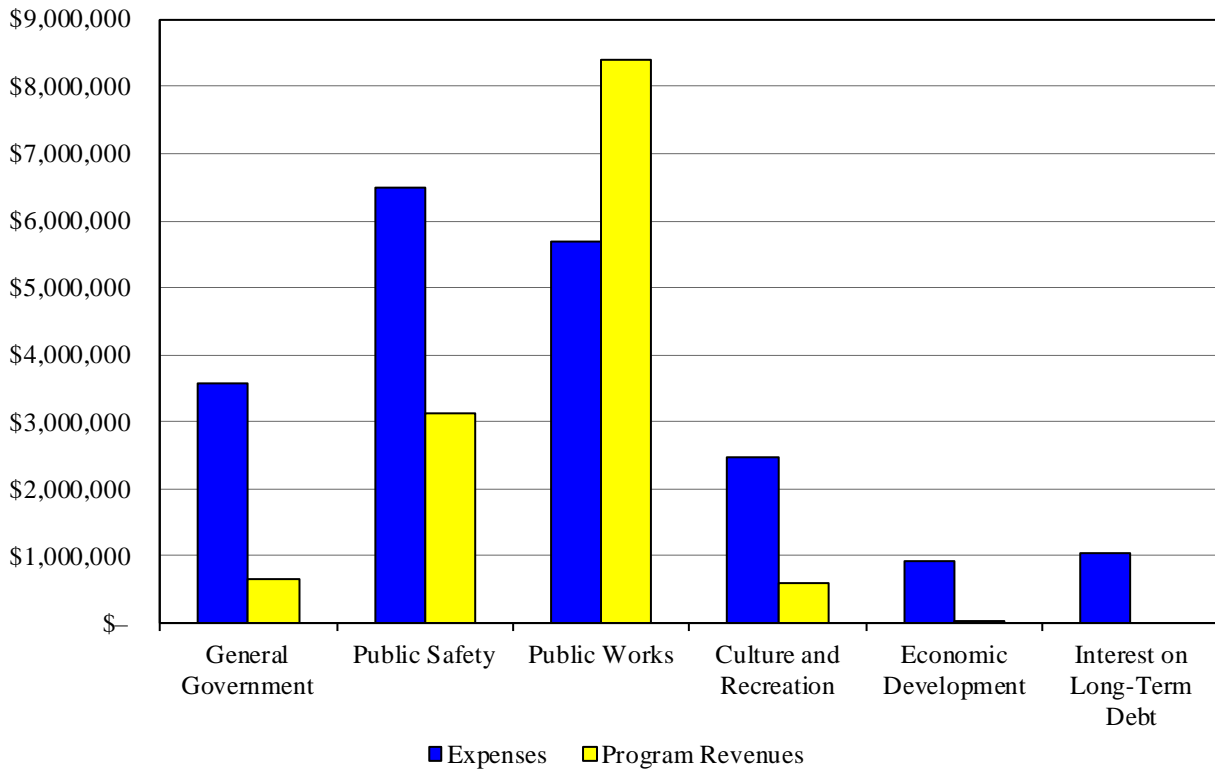
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 2,552,868	\$ 2,698,360	\$ 8,474,649	\$ 8,225,463	\$ 11,027,517	\$ 10,923,823
Operating grants and contributions	1,628,053	2,164,590	2,924	15,372	1,630,977	2,179,962
Capital grants and contributions	8,605,951	9,221,982	616,975	1,246,094	9,222,926	10,468,076
General revenues						
Property taxes and tax increments	13,537,055	12,812,307	-	-	13,537,055	12,812,307
Franchise taxes	639,783	630,932	-	-	639,783	630,932
Grants and contributions not restricted to specific programs	12,867	12,845	-	-	12,867	12,845
Investment income	1,094,987	318,751	290,301	90,678	1,385,288	409,429
Miscellaneous	113,489	66,337	31,435	11,938	144,924	78,275
Total revenues	<u>28,185,053</u>	<u>27,926,104</u>	<u>9,416,284</u>	<u>9,589,545</u>	<u>37,601,337</u>	<u>37,515,649</u>
Expenses						
General government	3,582,241	3,346,943	-	-	3,582,241	3,346,943
Public safety	6,490,001	6,283,264	-	-	6,490,001	6,283,264
Public works	5,700,624	5,393,240	-	-	5,700,624	5,393,240
Culture and recreation	2,462,914	2,376,137	-	-	2,462,914	2,376,137
Economic development	936,034	825,975	-	-	936,034	825,975
Interest on long-term debt	1,038,292	1,010,342	-	-	1,038,292	1,010,342
Water	-	-	3,026,239	2,721,328	3,026,239	2,721,328
Sewer	-	-	3,321,093	2,934,670	3,321,093	2,934,670
Water quality	-	-	611,654	600,030	611,654	600,030
Total expenses	<u>20,210,106</u>	<u>19,235,901</u>	<u>6,958,986</u>	<u>6,256,028</u>	<u>27,169,092</u>	<u>25,491,929</u>
Increase in net position before transfers	7,974,947	8,690,203	2,457,298	3,333,517	10,432,245	12,023,720
Transfers	<u>(5,380,609)</u>	<u>(3,177,982)</u>	<u>5,380,609</u>	<u>3,177,982</u>	<u>-</u>	<u>-</u>
Changes in net position	2,594,338	5,512,221	7,837,907	6,511,499	10,432,245	12,023,720
Net position						
Beginning of year	<u>129,091,503</u>	<u>123,579,282</u>	<u>67,698,544</u>	<u>61,187,045</u>	<u>196,790,047</u>	<u>184,766,327</u>
End of year	<u>\$ 131,685,841</u>	<u>\$ 129,091,503</u>	<u>\$ 75,536,451</u>	<u>\$ 67,698,544</u>	<u>\$ 207,222,292</u>	<u>\$ 196,790,047</u>

Governmental Activities – Governmental activities increased the City’s net position by \$2,594,338. Key elements of this increase are seen in the table above. The increase is due primarily to the investment earnings of \$1,094,987. The cost value of the City’s investment portfolio increased 3 percent in 2019, while the fair value of the portfolio was up almost 5 percent.

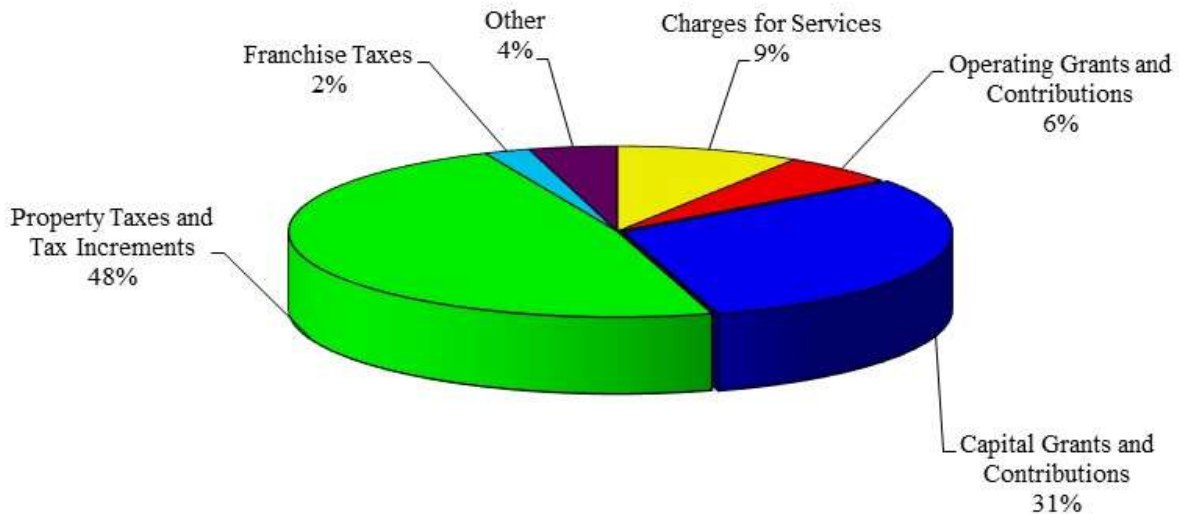
The business-type activities increased the City’s net position in total by \$7,837,907, mostly due to transfers/capital contributions of \$5,380,609 from the governmental activities for water and sewer infrastructure replacement and the joint water treatment facility with the Shakopee Mdewakanton Sioux Community (SMSC).

Below are specific graphs that provide comparisons of the governmental activities program revenues and expenses.

Public works revenue will vary based on development and transportation projects. In 2019, the City received about \$3.1 million in easement donations from developers and about \$1.7 million in development program trunk/connection fees. Revenue also included about \$1.1 million in street project special assessments.

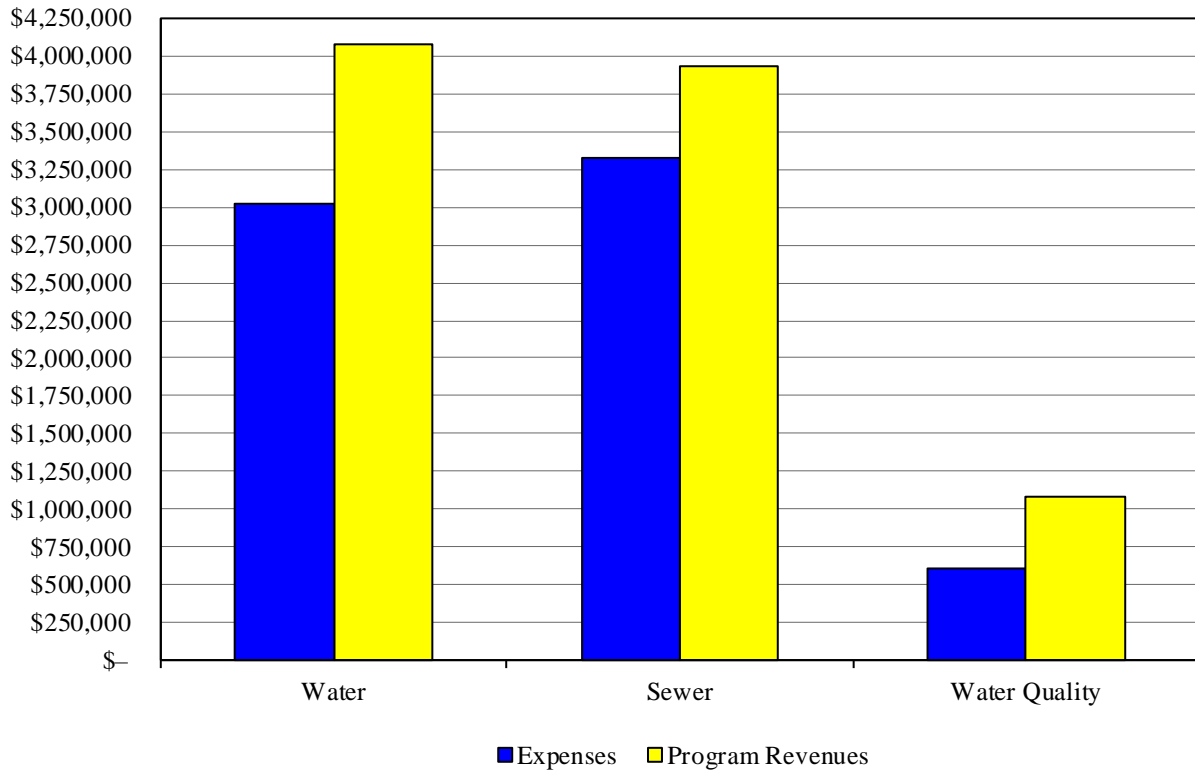


Governmental Activities – Revenue by Program

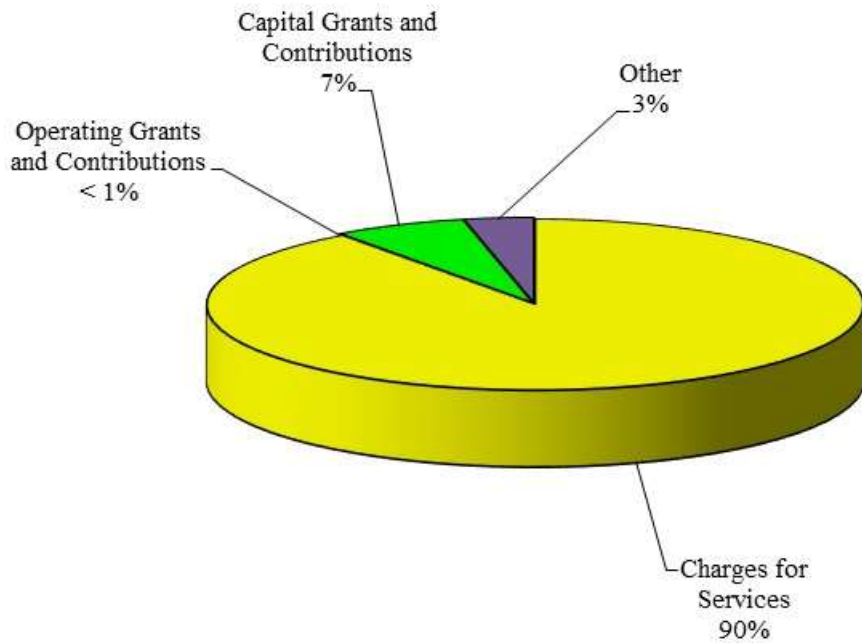


Business-Type Activities – Below are graphs showing the business-type activities program revenues and expense comparisons.

Revenues are collected to fund operations, capital improvements, debt service, and the utility work completed as part of the street projects identified in the Five-Year Capital Improvement Program.



Business-Type Activities – Revenue by Source



FINANCIAL ANALYSIS OF THE GOVERNMENT'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,962,258, a decrease of \$2,032,194 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the recent fiscal year, total fund balance reached \$7,903,175. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents about 53.9 percent of total 2020 General Fund budgeted expenditures and transfers out \$14,656,748. Of the total fund balance of \$7,903,175, \$324,712 is assigned for the 2020 for an operating transfer to the EDA for strategic initiatives, city website redesign, and projects carried over from fiscal 2019. This leaves an unassigned fund balance of the General Fund of \$7,578,463, or 51.7 percent, of total 2020 General Fund budgeted expenditures, and transfers out of \$14,656,748.

The total fund balance reflects an increase of \$689,773 from the prior year and an increase of \$1,006,632 from the amended budget. The amended budget reflected the use of fund balance of \$316,859 for a city-wide telephone system, funding a transfer to the Severance Compensation Fund, replenishment of fuel and ice management materials, and projects carried over from 2018. The increase in fund balance is primarily due to increased revenues from building permits and fees.

The Debt Service Fund balance decreased by \$53,114. The City manages cash flow in all debt service accounts and ensures adequate resources exist to fund future obligations.

The Construction Fund balance decreased by \$2,809,037. This is largely due to the issuance of 2019A general obligation bonds of \$1,450,000, net transfers out of \$511,282, and offsetting capital outlay of \$6,355,340 for street projects. Capital outlay for the 2019 street improvement project alone was \$3,549,366.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City amends its budget at various points during the year. The General Fund budget was amended in 2019 to increase the spending of the fund balance by \$100,059, for a health insurance reserve adjustment, and carryforward of 2018 projects/spending for capital outlay, parks, and police.

Actual revenues were \$692,707 over budget in 2019, due primarily to an increase in building permits, plan check fees, and investment income.

Actual expenditures were \$304,048 less than budget in 2019. Many factors impacted expenditures. The largest variance from budget was in parks being under budget by \$121,974. This is primarily due to other services and charges coming in lower than expected by \$84,752. The City budgeted for landscaping and trails/sidewalk maintenance but was unable to get all projects completed during the year. The funds will be carried over to fiscal 2020. Additionally, maintenance expenditures and professional services were less than planned, primarily due to fewer repairs than expected and negotiating contracts at a lower cost than budgeted.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$223,288,384 (net of accumulated depreciation). This investment in capital assets includes items such as land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 33,269,751	\$ 32,221,249	\$ –	\$ –	\$ 33,269,751	\$ 32,221,249
Utility access agreement	–	–	2,499,970	1,492,167	2,499,970	1,492,167
Easements	48,173,410	47,095,500	218,912	218,912	48,392,322	47,314,412
Construction in progress	3,820,430	10,682,758	3,070	1,283,621	3,823,500	11,966,379
Land improvements	1,067,742	1,079,690	43,968	48,355	1,111,710	1,128,045
Machinery and equipment	2,797,763	2,807,013	565,623	935,532	3,363,386	3,742,545
Vehicles	2,448,016	1,708,031	360,330	4,993	2,808,346	1,713,024
Infrastructure	60,580,704	53,663,421	67,438,695	60,689,040	128,019,399	114,352,461
Total	<u>\$ 152,157,816</u>	<u>\$ 149,257,662</u>	<u>\$ 71,130,568</u>	<u>\$ 64,672,620</u>	<u>\$ 223,288,384</u>	<u>\$ 213,930,282</u>

Additional information on the City’s capital assets can be found in Note 3 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding, including premiums of \$41,192,426. This amount comprises debt backed by the full faith and credit of the City. The City’s total long-term liabilities decreased during the current fiscal year, due to scheduled payments on debt obligations and energy loans payable.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. bonds	\$ 12,185,000	\$ 13,200,000	\$ –	\$ –	\$ 12,185,000	\$ 13,200,000
G.O. special assessment bonds	18,465,000	18,905,000	–	–	18,465,000	18,905,000
G.O. tax increment bonds	135,000	160,000	–	–	135,000	160,000
G.O. revenue bonds	6,245,000	6,630,000	2,430,000	2,640,000	8,675,000	9,270,000
Premium (discount) on bonds payable	1,430,714	1,199,452	301,712	335,236	1,732,426	1,534,688
Energy loan payable	1,552,924	1,816,436	–	–	1,552,924	1,816,436
Compensated absences payable	841,031	838,524	200,014	167,619	1,041,045	1,006,143
Net OPEB obligation	654,579	819,780	141,945	86,353	796,524	906,133
Net pension liability – GERP and PEPFF	5,479,019	5,277,885	1,009,979	981,090	6,488,998	6,258,975
Total	<u>\$ 46,988,267</u>	<u>\$ 48,847,077</u>	<u>\$ 4,083,650</u>	<u>\$ 4,210,298</u>	<u>\$ 51,071,917</u>	<u>\$ 53,057,375</u>

The City’s statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$3,447,986,900, which calculates to a debt limit of \$103,439,607. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources is not applied against the City’s debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$12,185,000 of general obligation debt outstanding, leaving a debt limit of \$91,254,607.

Additional information on the City’s long-term debt can be found in Note 5 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The City adopted a general operating budget of \$14,656,748 for expenditures and other financing uses for fiscal 2020, an increase of \$1,102,429, or 8.1 percent, from the 2019 original budget.
- Subsequent to year-end 2019, the novel coronavirus (COVID-19) pandemic has caused significant volatility in economic conditions. While the true scale of the economic impact of COVID-19 isn’t known yet, the City is assessing the revenue impacts and making expenditure adjustments as needed. The City’s Comprehensive Financial Management Policy established a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy established that the City will strive to maintain an unrestricted General Fund balance within a range of 40 to 50 percent of projected expenditures for the subsequent year. In no case will the reserve be allowed to fall below 40 percent. The fund balance policy is in place to provide adequate cash flow, offset revenue shortfalls, and insurance for unforeseen catastrophic events, such as the COVID-19 pandemic.

- Growth is robust in the City, with 203 and 198 new single-family residential permits issued in 2019 and 2018, respectively. From 2005 to 2018, the City has ranked in the top 25 in the Twin Cities metro area in total number of residential units and ranked in the top 20 in the Twin Cities metro area in total single-family residential units. Source: Metropolitan Council, Community Profile, Building Permits, Residential, Twin Cities Region (7-county metro area).

Since 2016, the City issued permits for six multi-family residential buildings, with a total of 440 units. The City anticipates issuing permits for two additional multi-family residential buildings in 2020, with a total of 163 units.

Total commercial and industrial permit valuation (new and addition/alteration) has increased by an average of 58 percent year-over-year since 2011.

- Continued staged development of land with the 2,000 acres annexed in 2004 from Spring Lake Township will provide most of the City’s anticipated market value growth over the course of the next 10 to 15 years.
- The City has planned the addition of a water treatment plant to meet the City’s needs as it continues to grow. The City faced the prospect of a \$15.0 million expenditure to build its own facility or spend \$8.7 million to build the facility in collaboration with the SMSC. In 2017, the City entered into a Water Purchase and Facility Expansion Agreement with the SMSC. The SMSC completed construction of the new water treatment plant in 2019. The plant can supply additional water to the City and will have future expansion available to meet the City’s long-term needs. This approach provides the City with the flexibility to evaluate the pace and timing of development in the Orderly Annexation Area before a substantial investment is needed to construct the expansion of the water treatment plant. The initial improvements, combined with the long-term water purchase agreement, could provide the City with enough water capacity for the next 15 to 20 years, depending on the rate of development.

Under the agreement, the initial maximum investment is \$3,500,000, which was funded from Trunk Reserve and Water Storage Funds. The remainder will become due when the second half of the water treatment plant improvements are installed to make the facility expansion operational. The City has incorporated these anticipated costs in its Capital Improvement Plan and the water development trunk fees as part of its 2040 Comprehensive Plan update.

Financial Management Policies

The City has set a goal to establish “Financial Performance Standards” to measure the financial health of the City. These standards serve multiple purposes:

- a) To serve as best practice measures to strengthen the City’s financial position and maximize the return of the taxpayer dollar.
- b) To communicate the fiscal performance and condition of the City to residents in a consistent manner.
- c) To facilitate the setting of policy and financial direction by the City Council with resident input.

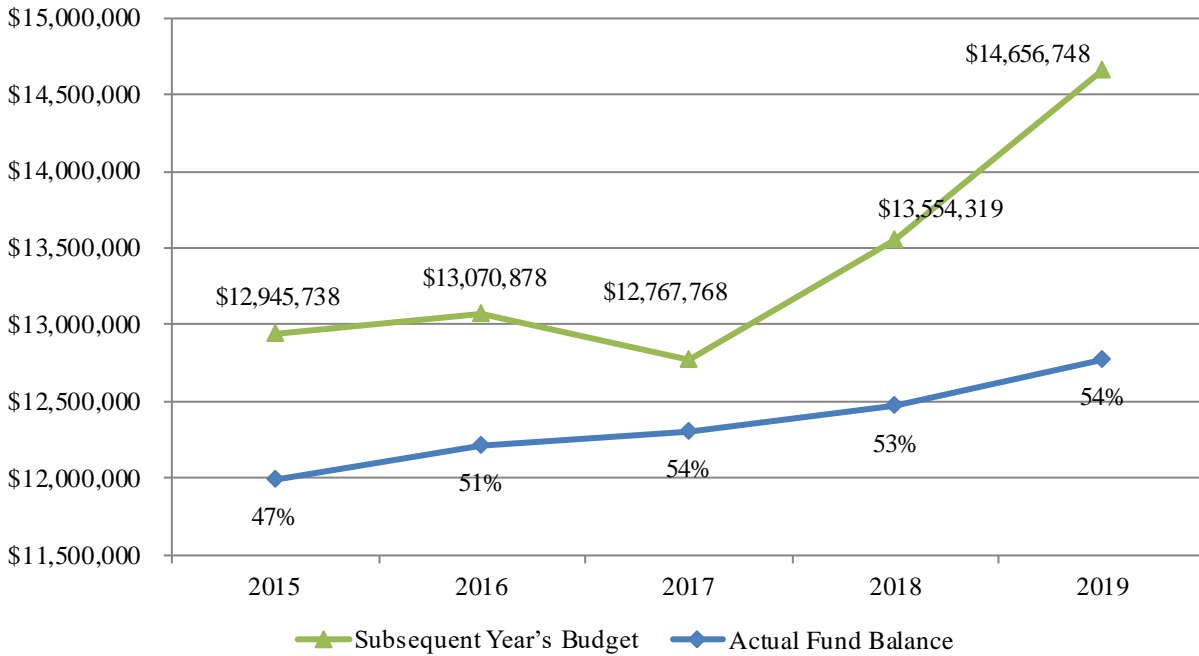
Objective 1: Aa2 Bond Rating

Maintain or improve current Aa2 Bond Rating – Strong credit rating by Moody’s Investors Service (Moody’s), provides low cost financing for the City’s general obligation bonds. In April 2010, Moody’s recalibrated the City’s bond rating to the global rating scale and, therefore, changed the City’s bond rating from Aa3 to an Aa2. The Aa2 bond rating was reaffirmed with the 2015 bond issuances. The City also received an initial bond rating of AA+ from S&P in 2015. The AA+ bond rating was reaffirmed with the 2016, 2017, 2018, and 2019 bond issuance:

	Moody’s	S&P
2015	Aa2	AA+
2016		AA+
2017		AA+
2018		AA+
2019		AA+

Objective 2: General Fund Reserve Balance

Maintain a 40 to 50 percent General Fund reserve balance – The Office of the State Auditor recommends a reserve balance between 35 to 50 percent to provide adequate cash flow, offset revenue shortfalls, and insurance for unforeseen catastrophic events. The City Council adopted a revision to the Comprehensive Financial Management Policy, which established a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy established that the City will strive to maintain an unrestricted General Fund balance (which includes committed, assigned and unassigned classifications) within a range from 40 to 50 percent of projected expenditures for the subsequent year.



Objective 3: Property Taxes

Maintain or improve property tax rank when compared to a broader list of metro area cities. The favorable tax rate provides stimulus for growth of residential and commercial property tax base. This date reflects the tax capacity rate, which is based on the levies approved by the City Council to fund general services, such as police, fire, street maintenance, parks, recreation, finance, and general administration, as well as the EDA. The tables do not reflect the market value rate, which is a tax based on market referenda approved by the City’s voters to finance the construction of two fire stations and improvements to the City’s parks and library.

Average City Tax Capacity Rate

	<u>Metro 10,000–24,999</u>	<u>Seven-County Metro Area</u>	<u>City of Prior Lake</u>
2015	46.90	43.40	31.96
2016	46.96	42.95	31.95
2017	N/A	N/A	32.69
2018	N/A	N/A	33.04
2019	N/A	41.43	33.02

Source: League of Minnesota Cities and Scott County

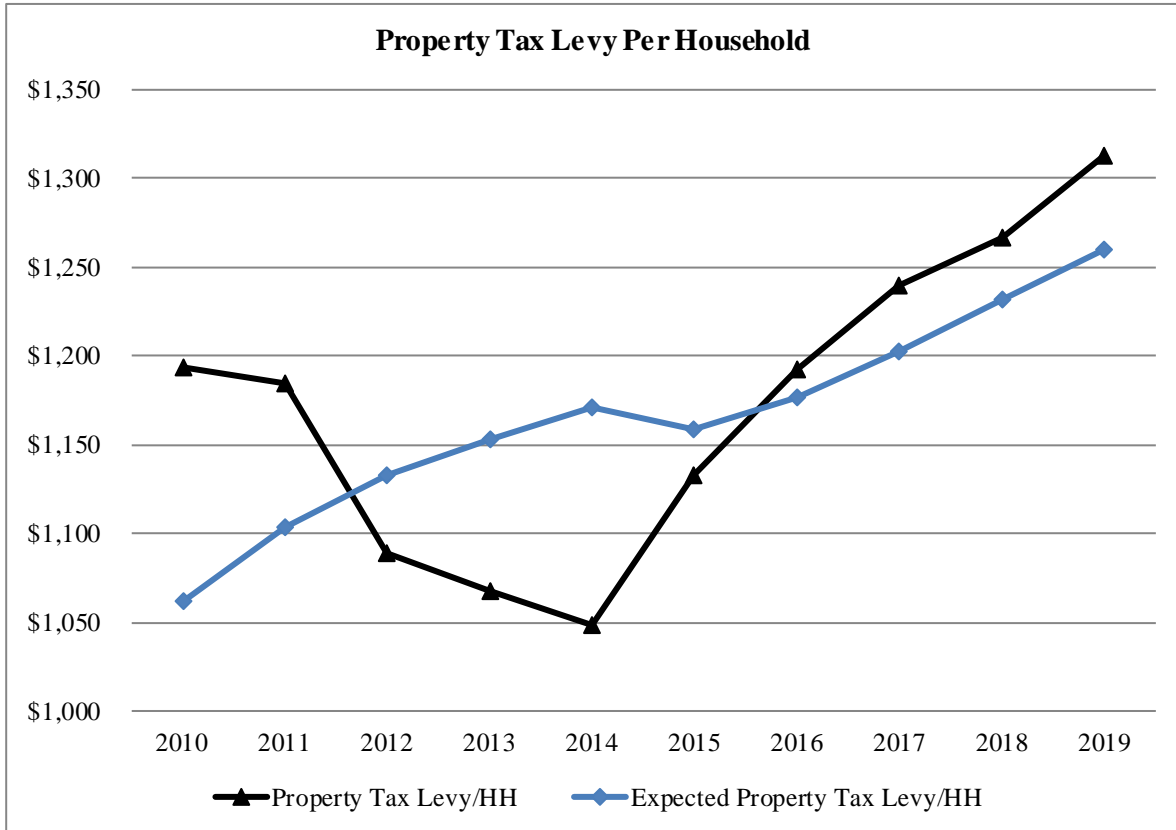
Average Prior Lake EDA Tax Capacity Rate

2015	0.55
2016	–
2017	–
2018	–
2019	–

N/A – Not Available

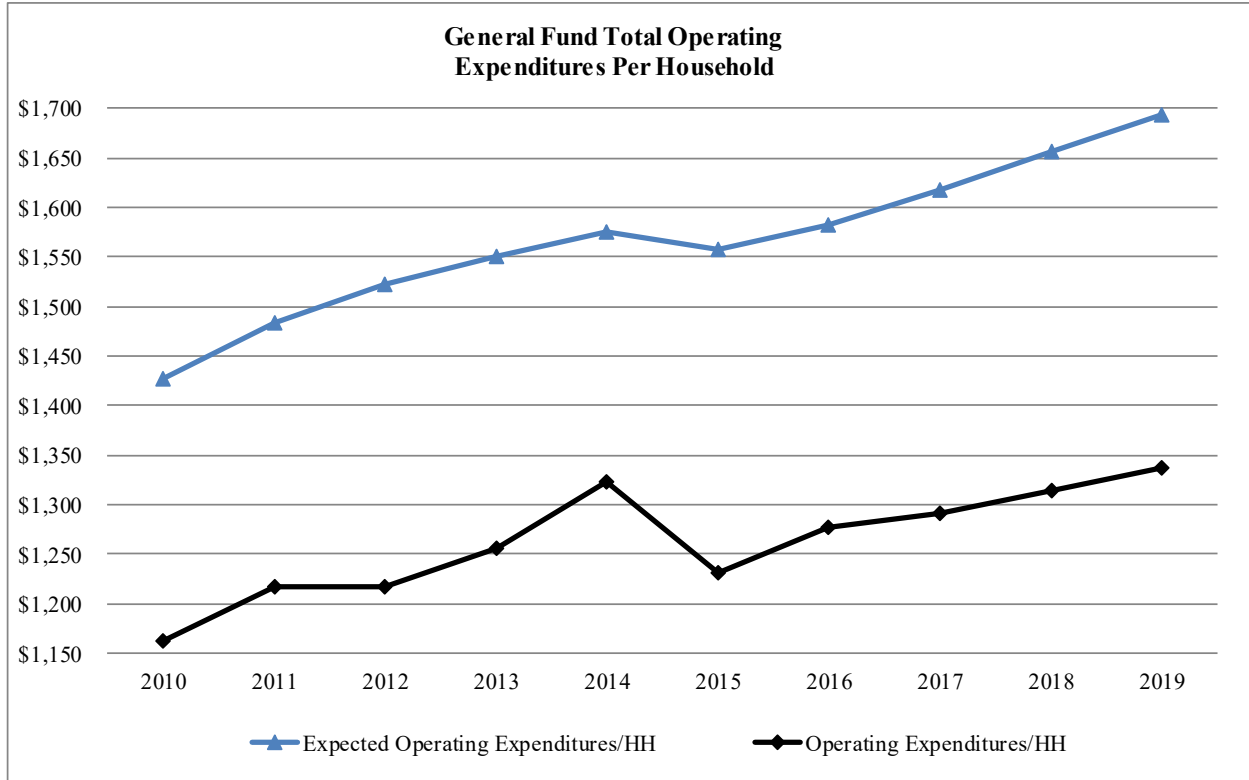
Objective 4: Property Taxes/Household

Maintain a level of property taxes on a per household basis, which takes into account the cost of inflation and community growth. The goal is to have a tax levy per household that is at or below the rate of inflation over time. This chart reflects community growth and the cost of inflation using the Minneapolis-St. Paul Consumer Price Index (CPI).



Objective 5: General Fund Expenditures/Household

Maintain a level of General Fund operational expenditures on a per household basis, which takes into account the cost of inflation and community growth. The goal is to maintain General Fund operating expenditures per household at or below the rate of inflation over time. This chart reflects community growth and the cost of inflation using the Minneapolis-St. Paul CPI.



REQUESTS FOR INFORMATION

These financial statements are 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 office of the City’s Finance Director at the City of Prior Lake, 4646 Dakota Street Southeast, Prior Lake, Minnesota 55372-1714.

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BASIC FINANCIAL STATEMENTS

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CITY OF PRIOR LAKE

Statement of Net Position
as of December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 29,873,634	\$ 9,172,443	\$ 39,046,077
Receivables			
Delinquent taxes	113,333	–	113,333
Accounts	408,968	1,173,750	1,582,718
Special assessments	3,679,437	100,881	3,780,318
Due from other governmental agencies	275,215	14,738	289,953
Restricted assets – temporarily restricted			
Cash and investments held in escrow	25,000	–	25,000
Net pension asset – fire relief	639,774	–	639,774
Capital assets not being depreciated	85,263,591	2,721,952	87,985,543
Capital assets net of accumulated depreciation	66,894,225	68,408,616	135,302,841
	<u>187,173,177</u>	<u>81,592,380</u>	<u>268,765,557</u>
Deferred outflows of resources			
Pension plan deferments – GERS and PEPFF	2,959,967	106,852	3,066,819
Pension plan deferments – fire relief	561,383	–	561,383
OPEB plan deferments	23,358	5,064	28,422
Total deferred outflows of resources	<u>3,544,708</u>	<u>111,916</u>	<u>3,656,624</u>
	<u>\$ 190,717,885</u>	<u>\$ 81,704,296</u>	<u>\$ 272,422,181</u>
Liabilities			
Accounts and contracts payable	\$ 1,281,767	\$ 626,772	\$ 1,908,539
Accrued salaries and employee benefits payable	516,934	104,491	621,425
Due to other governmental agencies	3,241,869	1,106,302	4,348,171
Deposits payable	1,471,675	4,500	1,476,175
Accrued interest payable	90,696	4,538	95,234
Unearned revenue	653,485	–	653,485
Long-term liabilities			
Total OPEB liability – due in more than one year	654,579	141,945	796,524
Net pension liability – GERS and PEPFF – due in more than one year	5,479,019	1,009,979	6,488,998
Due within one year	4,561,408	306,390	4,867,798
Due in more than one year	36,293,261	2,625,336	38,918,597
Total liabilities	<u>54,244,693</u>	<u>5,930,253</u>	<u>60,174,946</u>
Deferred inflows of resources			
Pension plan deferments – GERS and PEPFF	4,382,393	212,138	4,594,531
Pension plan deferments – fire relief	287,579	–	287,579
OPEB plan deferments	117,379	25,454	142,833
Total deferred inflows of resources	<u>4,787,351</u>	<u>237,592</u>	<u>5,024,943</u>
Net position			
Net investment in capital assets	112,279,178	68,398,856	180,678,034
Restricted for debt service	5,989,862	–	5,989,862
Restricted for net pension asset	913,578	–	913,578
Restricted for other purposes	1,084,792	–	1,084,792
Unrestricted	11,418,431	7,137,595	18,556,026
Total net position	<u>131,685,841</u>	<u>75,536,451</u>	<u>207,222,292</u>
	<u>\$ 190,717,885</u>	<u>\$ 81,704,296</u>	<u>\$ 272,422,181</u>
Total liabilities, deferred inflows of resources, and net position			

CITY OF PRIOR LAKE

Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 3,582,241	\$ 551,710	\$ 3,248	\$ 100,000
Public safety	6,490,001	1,436,811	1,607,605	96,863
Public works	5,700,624	266,959	1,089	8,118,598
Culture and recreation	2,462,914	276,595	15,952	290,490
Economic development	936,034	20,793	159	–
Interest on long-term debt	1,038,292	–	–	–
Total governmental activities	<u>20,210,106</u>	<u>2,552,868</u>	<u>1,628,053</u>	<u>8,605,951</u>
Business-type activities				
Water	3,026,239	3,792,321	1,583	292,123
Sewer	3,321,093	3,622,033	954	307,252
Water quality	611,654	1,060,295	387	17,600
Total business-type activities	<u>6,958,986</u>	<u>8,474,649</u>	<u>2,924</u>	<u>616,975</u>
Total	<u>\$ 27,169,092</u>	<u>\$ 11,027,517</u>	<u>\$ 1,630,977</u>	<u>\$ 9,222,926</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Tax increments

Grants and contributions not restricted
to specific programs

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position

Beginning of year

End of year

Net (Expense) Revenues and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,927,283)	\$ —	\$ (2,927,283)
(3,348,722)	—	(3,348,722)
2,686,022	—	2,686,022
(1,879,877)	—	(1,879,877)
(915,082)	—	(915,082)
(1,038,292)	—	(1,038,292)
<u>(7,423,234)</u>	<u>—</u>	<u>(7,423,234)</u>
—	1,059,788	1,059,788
—	609,146	609,146
—	466,628	466,628
<u>—</u>	<u>2,135,562</u>	<u>2,135,562</u>
(7,423,234)	2,135,562	(5,287,672)
9,501,524	—	9,501,524
3,262,774	—	3,262,774
639,783	—	639,783
772,757	—	772,757
12,867	—	12,867
1,094,987	290,301	1,385,288
113,489	31,435	144,924
(5,380,609)	5,380,609	—
<u>10,017,572</u>	<u>5,702,345</u>	<u>15,719,917</u>
2,594,338	7,837,907	10,432,245
<u>129,091,503</u>	<u>67,698,544</u>	<u>196,790,047</u>
<u>\$ 131,685,841</u>	<u>\$ 75,536,451</u>	<u>\$ 207,222,292</u>

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FUND FINANCIAL STATEMENTS

CITY OF PRIOR LAKE

Balance Sheet
 Governmental Funds
 as of December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>
Assets			
Cash and investments	\$ 9,604,268	\$ 2,979,978	\$ 4,406,915
Cash held in escrow	-	-	-
Receivables			
Delinquent taxes	113,235	-	-
Accounts	193,058	10,214	5,542
Special assessments			
Delinquent	566	33,642	3,463
Deferred	19,833	2,592,099	64,560
Other (Green Acres)	-	451,350	-
Due from other governmental agencies	<u>111,226</u>	<u>28,737</u>	<u>26,711</u>
 Total assets	 <u>\$ 10,042,186</u>	 <u>\$ 6,096,020</u>	 <u>\$ 4,507,191</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts and contracts payable	\$ 221,648	\$ 15,462	\$ 434,087
Accrued salaries and employee benefits payable	508,682	-	-
Due to other governmental agencies	131,869	-	3,108,869
Deposits payable	1,151,673	-	17,353
Unearned revenue	<u>2,145</u>	<u>-</u>	<u>617,590</u>
Total liabilities	2,016,017	15,462	4,177,899
Deferred inflows of resources			
Unavailable revenue from delinquent taxes	113,235	-	-
Unavailable revenue from special assessments	<u>9,759</u>	<u>3,077,091</u>	<u>68,023</u>
Total deferred inflows of resources	122,994	3,077,091	68,023
Fund balances			
Restricted	-	3,003,467	-
Assigned	324,712	-	261,269
Unassigned	<u>7,578,463</u>	<u>-</u>	<u>-</u>
Total fund balances	7,903,175	3,003,467	261,269
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 10,042,186</u>	 <u>\$ 6,096,020</u>	 <u>\$ 4,507,191</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,420,107	\$ 29,411,268
25,000	25,000
98	113,333
197,052	405,866
1,285	38,956
512,639	3,189,131
–	451,350
108,541	275,215
<u>\$ 13,264,722</u>	<u>\$ 33,910,119</u>

\$ 610,570	\$ 1,281,767
8,252	516,934
1,131	3,241,869
302,649	1,471,675
33,750	653,485
<u>956,352</u>	<u>7,165,730</u>

98	113,333
513,925	3,668,798
<u>514,023</u>	<u>3,782,131</u>

1,084,694	4,088,161
10,709,653	11,295,634
–	7,578,463
<u>11,794,347</u>	<u>22,962,258</u>

<u>\$ 13,264,722</u>	<u>\$ 33,910,119</u>
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CITY OF PRIOR LAKE

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2019

Total fund balances – governmental funds	\$ 22,962,258
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
Cost of capital assets	220,268,544
Less accumulated depreciation	(68,110,728)
Long-term liabilities are included in net position but are excluded from fund balances until due and payable.	
Bond principal payable	(37,030,000)
Energy loan payable	(1,552,924)
Total OPEB liability	(654,579)
Net pension liability – GERS and PEPFF	(5,479,019)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	
	(1,430,714)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	
	(90,696)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	(375,563)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Delinquent property taxes	113,333
Special assessments	3,668,798
Net pension asset	639,774
Deferred outflows of resources – GERS and PEPFF pension plans	2,959,967
Deferred outflows of resources – fire relief pension plan	561,383
Deferred outflows of resources – OPEB	23,358
Deferred inflows of resources – GERS and PEPFF pension plans	(4,382,393)
Deferred inflows of resources – fire relief pension plan	(287,579)
Deferred inflows of resources – OPEB	(117,379)
Total net position – governmental activities	<u>\$ 131,685,841</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>
Revenues			
Taxes	\$ 8,367,851	\$ 3,262,774	\$ -
Franchise taxes	639,783	-	-
Special assessments	140	699,910	11,920
Licenses and permits	992,096	-	-
Intergovernmental	1,925,225	-	2,118,769
Charges for services	1,193,113	-	-
Fines and forfeits	996	-	-
Interest on investments	260,434	146,926	196,568
Miscellaneous	194,288	-	40,000
Total revenues	<u>13,573,926</u>	<u>4,109,610</u>	<u>2,367,257</u>
Expenditures			
Current			
General government	3,000,056	-	-
Public safety	6,071,462	-	-
Public works	1,954,183	-	-
Culture and recreation	1,889,264	-	-
Economic development	-	-	-
Capital outlay	100,596	-	6,355,340
Debt service			
Principal	-	4,193,512	-
Interest and other	-	1,166,139	39,489
Total expenditures	<u>13,015,561</u>	<u>5,359,651</u>	<u>6,394,829</u>
Excess (deficiency) of revenues over expenditures	558,365	(1,250,041)	(4,027,572)
Other financing sources (uses)			
Debt issued	-	-	1,450,000
Premium on debt issued	-	-	279,817
Transfers in	456,300	1,345,091	392,900
Transfers out	(334,769)	(148,164)	(904,182)
Sale of capital assets	9,877	-	-
Total other financing sources (uses)	<u>131,408</u>	<u>1,196,927</u>	<u>1,218,535</u>
Net change in fund balances	689,773	(53,114)	(2,809,037)
Fund balances			
Beginning of year	<u>7,213,402</u>	<u>3,056,581</u>	<u>3,070,306</u>
End of year	<u>\$ 7,903,175</u>	<u>\$ 3,003,467</u>	<u>\$ 261,269</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,906,204	\$ 13,536,829
–	639,783
367,378	1,079,348
–	992,096
100,000	4,143,994
2,171,251	3,364,364
–	996
469,630	1,073,558
109,663	343,951
5,124,126	25,174,919
243	3,000,299
115,397	6,186,859
–	1,954,183
49,735	1,938,999
175,749	175,749
3,633,115	10,089,051
–	4,193,512
16,750	1,222,378
3,990,989	28,761,030
1,133,137	(3,586,111)
615,000	2,065,000
88,749	368,566
254,927	2,449,218
(1,959,649)	(3,346,764)
8,020	17,897
(992,953)	1,553,917
140,184	(2,032,194)
11,654,163	24,994,452
\$ 11,794,347	\$ 22,962,258

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CITY OF PRIOR LAKE

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2019

Total net change in fund balances – governmental funds	\$ (2,032,194)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense; however, fund balances are reduced for the full cost of capital outlays at the time of purchase.	
Capital outlay	7,432,222
Capital contributions	4,583,063
Depreciation expense	(4,497,838)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balance.	
	(34,230)
Capital assets constructed in the governmental funds then transferred to the enterprise funds are shown in the government-wide financial statements but not in the governmental funds statements.	
	(4,583,063)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. Repayment of long-term debt does not affect the change in net position; however, it reduces fund balances.	
Principal repayments	4,193,512
Debt issued	(2,065,000)
Premium on debt issued	(368,566)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.	
Total OPEB liability	165,201
Net pension liability – GERS and PEPFF	(201,134)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when the payment is due; however, it is included in the change in fund balances when due.	
	46,782
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt; however, they are included in the change in fund balances upon issuance as other financing sources and uses.	
	137,304
Internal service funds are used by management to charge certain costs to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities in the government-wide financial statements.	
	(93,209)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Delinquent property taxes	1,192
Special assessments	(299,261)
Net pension asset	(382,201)
Deferred outflows of resources – GERS and PEPFF pension plans	(1,105,858)
Deferred outflows of resources – fire relief pension plan	296,772
Deferred outflows of resources – OPEB	(12,255)
Deferred inflows of resources – GERS and PEPFF pension plans	1,396,352
Deferred inflows of resources – fire relief pension plan	134,126
Deferred inflows of resources – OPEB	(117,379)
Change in net position – governmental activities	<u>\$ 2,594,338</u>

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CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 8,380,973	\$ 8,380,973	\$ 8,367,851	\$ (13,122)
Franchise taxes	615,000	615,000	639,783	24,783
Special assessments	5,000	5,000	140	(4,860)
Licenses and permits	642,118	642,118	992,096	349,978
Intergovernmental	1,861,819	1,861,819	1,925,225	63,406
Charges for services	1,101,170	1,101,170	1,193,113	91,943
Fines and forfeits	-	-	996	996
Investment income	87,400	87,400	260,434	173,034
Miscellaneous	187,739	187,739	194,288	6,549
Total revenues	<u>12,881,219</u>	<u>12,881,219</u>	<u>13,573,926</u>	<u>692,707</u>
Expenditures				
Current				
General government	2,950,692	2,963,041	3,000,056	37,015
Public safety				
Police	4,586,881	4,631,101	4,502,094	(129,007)
Fire and rescue	932,896	933,636	936,755	3,119
Other	638,332	640,343	632,613	(7,730)
Public works	2,060,778	2,066,295	1,954,183	(112,112)
Culture and recreation	1,964,771	1,981,103	1,889,264	(91,839)
Capital outlay	85,200	104,090	100,596	(3,494)
Total expenditures	<u>13,219,550</u>	<u>13,319,609</u>	<u>13,015,561</u>	<u>(304,048)</u>
Excess (deficiency) of revenues over expenditures	(338,331)	(438,390)	558,365	996,755
Other financing sources (uses)				
Transfers in	456,300	456,300	456,300	-
Transfers out	(334,769)	(334,769)	(334,769)	-
Sale of assets	-	-	9,877	9,877
Total other financing sources (uses)	<u>121,531</u>	<u>121,531</u>	<u>131,408</u>	<u>9,877</u>
Net change in fund balances	<u>\$ (216,800)</u>	<u>\$ (316,859)</u>	689,773	<u>\$ 1,006,632</u>
Fund balances				
Beginning of year			<u>7,213,402</u>	
End of year			<u>\$ 7,903,175</u>	

CITY OF PRIOR LAKE

Statement of Net Position
Proprietary Funds
as of December 31, 2019

(With Partial Comparative Information as of December 31, 2018)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2019	2018	2019	2018
Current assets				
Cash and investments	\$ 5,775,364	\$ 6,471,431	\$ 1,992,299	\$ 1,816,230
Receivables				
Accounts	398,848	426,906	606,549	599,201
Special assessments				
Delinquent	49,624	38,431	49,624	38,431
Deferred	1,633	2,731	–	–
Due from other governmental agencies	2,231	914	180	172
Total current assets	<u>6,227,700</u>	<u>6,940,413</u>	<u>2,648,652</u>	<u>2,454,034</u>
Noncurrent assets				
Capital assets not being depreciated	2,575,270	2,201,760	–	634,293
Depreciable capital assets	51,188,338	46,392,214	34,182,869	31,108,724
Accumulated depreciation	(11,068,791)	(10,190,444)	(8,323,323)	(7,759,498)
Total noncurrent assets	<u>42,694,817</u>	<u>38,403,530</u>	<u>25,859,546</u>	<u>23,983,519</u>
Total assets	48,922,517	45,343,943	28,508,198	26,437,553
Deferred outflows of resources				
Pension plan deferments – GERF	45,893	77,701	43,362	64,750
OPEB plan deferments	2,247	3,003	1,989	3,003
Total deferred outflows of resources	<u>48,140</u>	<u>80,704</u>	<u>45,351</u>	<u>67,753</u>
Total assets and deferred outflows of resources	<u>\$ 48,970,657</u>	<u>\$ 45,424,647</u>	<u>\$ 28,553,549</u>	<u>\$ 26,505,306</u>
Current liabilities				
Accounts and contracts payable	\$ 382,909	\$ 250,311	\$ 129,511	\$ 172,745
Accrued salaries and employee benefits payable	46,270	33,702	42,453	36,042
Due to other governmental agencies	1,098,043	2,240,059	5,848	7,520
Deposits payable	4,500	4,500	–	–
Accrued interest payable	2,269	24,438	2,269	24,438
Current portion of compensated absences payable	39,289	32,917	18,618	26,573
Current portion of bonds payable	120,000	105,000	120,000	105,000
Total current liabilities	<u>1,693,280</u>	<u>2,690,927</u>	<u>318,699</u>	<u>372,318</u>
Noncurrent liabilities				
Compensated absences payable	77,991	67,411	46,211	26,220
Bonds premium (discount)	150,856	167,618	150,856	167,618
Bonds payable	1,095,000	1,215,000	1,095,000	1,215,000
Net pension liability – GERF	433,789	436,041	409,860	363,367
Total OPEB Liability	62,971	35,557	55,755	35,557
Total noncurrent liabilities	<u>1,820,607</u>	<u>1,921,627</u>	<u>1,757,682</u>	<u>1,807,762</u>
Total liabilities	3,513,887	4,612,554	2,076,381	2,180,080
Deferred inflows of resources				
Pension plan deferments – GERF	91,114	134,607	86,088	112,172
OPEB plan deferments	11,292	–	9,998	–
Total deferred inflows of resources	<u>102,406</u>	<u>134,607</u>	<u>96,086</u>	<u>112,172</u>
Net position				
Net investment in capital assets	41,328,961	36,915,912	24,493,690	22,495,901
Unrestricted	4,025,403	3,761,574	1,887,392	1,717,153
Total net position	<u>45,354,364</u>	<u>40,677,486</u>	<u>26,381,082</u>	<u>24,213,054</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 48,970,657</u>	<u>\$ 45,424,647</u>	<u>\$ 28,553,549</u>	<u>\$ 26,505,306</u>

Water Quality		Totals		Governmental Activities – Internal Service Fund
2019	2018	2019	2018	
\$ 1,404,780	\$ 796,256	\$ 9,172,443	\$ 9,083,917	\$ 462,366
168,353	152,839	1,173,750	1,178,946	3,102
–	–	99,248	76,862	–
–	–	1,633	2,731	–
12,327	–	14,738	1,086	–
<u>1,585,460</u>	<u>949,095</u>	<u>10,461,812</u>	<u>10,343,542</u>	<u>465,468</u>
146,682	158,647	2,721,952	2,994,700	–
3,203,355	2,766,329	88,574,562	80,267,267	–
(773,832)	(639,405)	(20,165,946)	(18,589,347)	–
<u>2,576,205</u>	<u>2,285,571</u>	<u>71,130,568</u>	<u>64,672,620</u>	<u>–</u>
4,161,665	3,234,666	81,592,380	75,016,162	465,468
17,597	32,375	106,852	174,826	–
828	1,288	5,064	7,294	–
<u>18,425</u>	<u>33,663</u>	<u>111,916</u>	<u>182,120</u>	<u>–</u>
<u>\$ 4,180,090</u>	<u>\$ 3,268,329</u>	<u>\$ 81,704,296</u>	<u>\$ 75,198,282</u>	<u>\$ 465,468</u>
\$ 114,352	\$ 35,026	\$ 626,772	\$ 458,082	\$ –
15,768	12,383	104,491	82,127	–
2,411	145,411	1,106,302	2,392,990	–
–	–	4,500	4,500	–
–	–	4,538	48,876	–
8,483	9,853	66,390	69,343	362,283
–	–	240,000	210,000	–
<u>141,014</u>	<u>202,673</u>	<u>2,152,993</u>	<u>3,265,918</u>	<u>362,283</u>
9,422	4,645	133,624	98,276	478,748
–	–	301,712	335,236	–
–	–	2,190,000	2,430,000	–
166,330	181,682	1,009,979	981,090	–
23,219	15,239	141,945	86,353	–
<u>198,971</u>	<u>201,566</u>	<u>3,777,260</u>	<u>3,930,955</u>	<u>478,748</u>
339,985	404,239	5,930,253	7,196,873	841,031
34,936	56,086	212,138	302,865	–
4,164	–	25,454	–	–
<u>39,100</u>	<u>56,086</u>	<u>237,592</u>	<u>302,865</u>	<u>–</u>
2,576,205	2,285,571	68,398,856	61,697,384	–
1,224,800	522,433	7,137,595	6,001,160	(375,563)
<u>3,801,005</u>	<u>2,808,004</u>	<u>75,536,451</u>	<u>67,698,544</u>	<u>(375,563)</u>
<u>\$ 4,180,090</u>	<u>\$ 3,268,329</u>	<u>\$ 81,704,296</u>	<u>\$ 75,198,282</u>	<u>\$ 465,468</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2019
 (With Partial Comparative Information for the Year Ended December 31, 2018)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2019	2018	2019	2018
Operating revenues				
Sewer charges	\$ –	\$ –	\$ 3,341,491	\$ 3,006,814
Water charges	3,338,696	3,558,027	–	–
Storm water charges	–	–	–	–
Capital facility charges	280,532	263,705	280,542	263,212
Meter sales	153,312	137,964	–	–
Charges for services	19,781	8,010	–	–
Total operating revenues	<u>3,792,321</u>	<u>3,967,706</u>	<u>3,622,033</u>	<u>3,270,026</u>
Operating expenses				
Personal services	805,403	693,116	813,914	661,568
Supplies	321,455	381,771	44,624	42,217
Repairs and maintenance	234,088	102,527	123,317	20,826
Other services and charges	166,945	188,812	111,946	156,352
Insurance	36,733	1,516	36,733	17,997
Utilities	530,893	506,412	42,736	40,802
Disposal charges	–	–	1,544,728	1,440,332
Miscellaneous	–	874	–	–
Depreciation	888,449	804,126	563,826	511,909
Total operating expenses	<u>2,983,966</u>	<u>2,679,154</u>	<u>3,281,824</u>	<u>2,892,003</u>
Operating income (loss)	808,355	1,288,552	340,209	378,023
Nonoperating revenues (expenses)				
Intergovernmental	1,583	3,833	954	2,778
Investment income	184,077	58,716	68,827	24,562
Gain (loss) on sale of capital assets	(3,000)	1,185	–	1,185
Interest expense	(39,273)	(42,174)	(39,269)	(42,174)
Miscellaneous	18,166	11,938	942	–
Total nonoperating revenues	<u>161,553</u>	<u>33,498</u>	<u>31,454</u>	<u>(13,649)</u>
Income (loss) before contributions and transfers	969,908	1,322,050	371,663	364,374
Special assessments	6,614	54,401	–	–
Capital grants	–	–	(3,734)	–
Capital contributions from other funds	2,537,191	2,691,005	1,709,980	576,051
Capital contributions from developers	285,509	507,943	310,986	487,277
Transfers in	1,873,151	2,608,475	306,280	17,434
Transfers out	(995,495)	(1,622,445)	(527,147)	(1,117,033)
Change in net position	<u>4,676,878</u>	<u>5,561,429</u>	<u>2,168,028</u>	<u>328,103</u>
Net position				
Beginning of year	<u>40,677,486</u>	<u>35,116,057</u>	<u>24,213,054</u>	<u>23,884,951</u>
End of year	<u>\$ 45,354,364</u>	<u>\$ 40,677,486</u>	<u>\$ 26,381,082</u>	<u>\$ 24,213,054</u>

See notes to basic financial statements

Water Quality		Totals		Governmental Activities – Internal Service Fund
2019	2018	2019	2018	
\$ –	\$ –	\$ 3,341,491	\$ 3,006,814	\$ –
–	–	3,338,696	3,558,027	–
1,060,295	987,238	1,060,295	987,238	–
–	–	561,074	526,917	–
–	–	153,312	137,964	–
–	–	19,781	8,010	31,310
<u>1,060,295</u>	<u>987,238</u>	<u>8,474,649</u>	<u>8,224,970</u>	<u>31,310</u>
304,445	275,481	1,923,762	1,630,165	245,952
18,441	22,999	384,520	446,987	–
115,319	69,289	472,724	192,642	–
39,022	110,372	317,913	455,536	–
–	–	73,466	19,513	–
–	–	573,629	547,214	–
–	–	1,544,728	1,440,332	–
–	–	–	874	–
134,427	121,889	1,586,702	1,437,924	–
<u>611,654</u>	<u>600,030</u>	<u>6,877,444</u>	<u>6,171,187</u>	<u>245,952</u>
448,641	387,208	1,597,205	2,053,783	(214,642)
387	7,291	2,924	13,902	–
37,397	7,400	290,301	90,678	21,433
–	–	(3,000)	2,370	–
–	–	(78,542)	(84,348)	–
12,327	(900)	31,435	11,038	–
<u>50,111</u>	<u>13,791</u>	<u>243,118</u>	<u>33,640</u>	<u>21,433</u>
498,752	400,999	1,840,323	2,087,423	(193,209)
–	–	6,614	54,401	–
–	130,000	(3,734)	130,000	–
335,892	361,550	4,583,063	3,628,606	–
17,600	66,473	614,095	1,061,693	–
267,517	143,612	2,446,948	2,769,521	100,000
<u>(126,760)</u>	<u>(480,667)</u>	<u>(1,649,402)</u>	<u>(3,220,145)</u>	<u>–</u>
993,001	621,967	7,837,907	6,511,499	(93,209)
<u>2,808,004</u>	<u>2,186,037</u>	<u>67,698,544</u>	<u>61,187,045</u>	<u>(282,354)</u>
<u>\$ 3,801,005</u>	<u>\$ 2,808,004</u>	<u>\$ 75,536,451</u>	<u>\$ 67,698,544</u>	<u>\$ (375,563)</u>

CITY OF PRIOR LAKE

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2019

(With Partial Comparative Information for the Year Ended December 31, 2018)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2019	2018	2019	2018
Cash flows from operating activities				
Cash received from customers	\$ 3,808,967	\$ 3,949,892	\$ 3,603,484	\$ 3,132,049
Cash payments to suppliers	(2,299,532)	(965,701)	(1,948,990)	(1,555,323)
Cash payments to employees	(750,358)	(685,072)	(722,460)	(648,560)
Miscellaneous revenue	18,166	11,938	942	–
Net cash flows from operating activities	777,243	2,311,057	932,976	928,166
Cash flows from noncapital financing activities				
Intergovernmental revenue	1,583	3,833	954	2,778
Transfers in	1,873,151	2,608,475	306,280	17,434
Transfers (out)	(995,495)	(1,622,445)	(527,147)	(1,117,033)
Net cash flows from noncapital financing activities	879,239	989,863	(219,913)	(1,096,821)
Cash flows from capital and related financing activities				
Special assessments	6,614	54,401	–	–
Capital grants	–	–	(3,734)	–
Acquisition of capital assets	(2,360,036)	(1,238,425)	(418,887)	(726,371)
Proceeds from issuance of debt	–	1,487,618	–	1,487,618
Payments on bonds payable	(105,000)	–	(105,000)	–
Proceeds from sale of capital assets	–	1,185	–	1,185
Interest paid on long-term debt	(78,204)	(17,736)	(78,200)	(17,736)
Net cash flows from capital and related financing activities	(2,536,626)	287,043	(605,821)	744,696
Cash flows from investing activities				
Interest received	184,077	58,716	68,827	24,562
Net increase (decrease) in cash and cash equivalents	(696,067)	3,646,679	176,069	600,603
Cash and cash equivalents, January 1	6,471,431	2,824,752	1,816,230	1,215,627
Cash and cash equivalents, December 31	\$ 5,775,364	\$ 6,471,431	\$ 1,992,299	\$ 1,816,230

Water Quality		Totals		Governmental Activities – Internal Service Fund
2019	2018	2019	2018	
\$ 1,032,454	\$ 993,294	\$ 8,444,905	\$ 8,075,235	\$ 31,456
(236,456)	(105,277)	(4,484,978)	(2,626,301)	–
(306,773)	(274,567)	(1,779,591)	(1,608,199)	(243,445)
12,327	(900)	31,435	11,038	119
501,552	612,550	2,211,771	3,851,773	(211,870)
387	7,291	2,924	13,902	–
267,517	143,612	2,446,948	2,769,521	100,000
(126,760)	(480,667)	(1,649,402)	(3,220,145)	–
141,144	(329,764)	800,470	(436,722)	100,000
–	–	6,614	54,401	–
–	130,000	(3,734)	130,000	–
(71,569)	(612,177)	(2,850,492)	(2,576,973)	–
–	–	–	2,975,236	–
–	–	(210,000)	–	–
–	–	–	2,370	–
–	–	(156,404)	(35,472)	–
(71,569)	(482,177)	(3,214,016)	549,562	–
37,397	7,400	290,301	90,678	21,433
608,524	(191,991)	88,526	4,055,291	(90,437)
796,256	988,247	9,083,917	5,028,626	552,803
<u>\$ 1,404,780</u>	<u>\$ 796,256</u>	<u>\$ 9,172,443</u>	<u>\$ 9,083,917</u>	<u>\$ 462,366</u>

CITY OF PRIOR LAKE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended December 31, 2019

(With Partial Comparative Information for the Year Ended December 31, 2018)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2019	2018	2019	2018
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 808,355	\$ 1,288,552	\$ 340,209	\$ 378,023
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	888,449	804,126	563,826	511,909
Miscellaneous revenue	18,166	11,938	942	–
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	28,058	(11,351)	(7,348)	(129,719)
Special assessments receivable	(10,095)	(7,262)	(11,193)	(8,226)
Due from other governments	(1,317)	(701)	(8)	(32)
Deferred outflows of resources – GERF	31,808	51,948	21,388	43,290
Deferred outflows of resources – OPEB	756	(3,003)	1,014	(3,003)
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts and contracts payable	132,598	193,971	(43,234)	158,203
Accrued salaries and employee benefits payable	12,568	1,247	6,411	10,013
Due to other governmental agencies	(1,142,016)	2,225,964	(1,672)	5,000
Deposits payable	–	1,500	–	–
Compensated absences payable	16,952	14,500	12,036	8,856
Net pension liability – GERF	(2,252)	(94,081)	46,493	(78,401)
Total OPEB Liability	27,414	6,353	20,198	6,353
Deferred inflows of resources – GERF	(43,493)	31,080	(26,084)	25,900
Deferred inflows of resources – OPEB	11,292	–	9,998	–
Net cash flows from operating activities	<u>\$ 777,243</u>	<u>\$ 4,514,781</u>	<u>\$ 932,976</u>	<u>\$ 928,166</u>
Schedule of noncash activities from capital and related financing activities				
Capital assets contributed from other funds	<u>\$ 2,537,191</u>	<u>\$ 2,691,005</u>	<u>\$ 1,709,980</u>	<u>\$ 576,051</u>
Capital assets contributed by developers	<u>\$ 285,509</u>	<u>\$ 507,943</u>	<u>\$ 310,986</u>	<u>\$ 487,277</u>
Capital assets for due to other governments	<u>\$ –</u>	<u>\$ 2,203,724</u>	<u>\$ –</u>	<u>\$ –</u>

Water Quality		Totals		Governmental Activities – Internal Service Fund
2019	2018	2019	2018	
\$ 448,641	\$ 387,208	\$ 1,597,205	\$ 2,053,783	\$ (214,642)
134,427	121,889	1,586,702	1,437,924	–
12,327	(900)	31,435	11,038	–
(15,514)	5,054	5,196	(136,016)	265
–	–	(21,288)	(15,488)	–
(12,327)	1,002	(13,652)	269	–
14,778	21,645	67,974	116,883	–
460	(1,288)	2,230	(7,294)	–
79,326	(46,214)	168,690	305,960	–
3,385	1,689	22,364	12,949	–
(143,000)	143,597	(1,286,688)	2,374,561	–
–	–	–	1,500	–
3,407	2,395	32,395	25,751	2,507
(15,352)	(39,201)	28,889	(211,683)	–
7,980	2,724	55,592	15,430	–
(21,150)	12,950	(90,727)	69,930	–
4,164	–	25,454	–	–
<u>\$ 501,552</u>	<u>\$ 612,550</u>	<u>\$ 2,211,771</u>	<u>\$ 6,055,497</u>	<u>\$ (211,870)</u>
<u>\$ 335,892</u>	<u>\$ 361,550</u>	<u>\$ 4,583,063</u>	<u>\$ 3,628,606</u>	<u>\$ –</u>
<u>\$ 17,600</u>	<u>\$ 66,473</u>	<u>\$ 614,095</u>	<u>\$ 1,061,693</u>	<u>\$ –</u>
<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,203,724</u>	<u>\$ –</u>

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CITY OF PRIOR LAKE

Notes to Basic Financial Statements December 31, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Prior Lake, Minnesota (the City) operates under “Optional Plan B” as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

As a result of applying these criteria, certain organizations have been included or disclosed in this report as follows:

Blended Component Unit – The Prior Lake Economic and Development Authority (EDA) was created pursuant to Minnesota Statutes § 469.090 through § 469.108 to carryout economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five-member Board of Directors consists of two councilmembers and three members appointed from the community by the City Council. The EDA is reported as a blended component unit within the EDA Special Revenue Fund. Separate financial statements are not issued for this component unit. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council.

C. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue that is susceptible to accrual includes property taxes, franchise taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, and other long-term liabilities which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. 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 and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated to provide repayment of the City's general obligation debt.

Construction Capital Project Fund – This fund accounts for the resources accumulated and payments made for city projects.

The City reports the following major proprietary funds:

Water Fund – This fund is used to account for the operation, maintenance, and improvement of the City's water system.

Sewer Fund – This fund is used to account for the operation, maintenance, and improvement of the City's sewer collection operations.

Water Quality Fund – This fund accounts for the costs associated with the City's storm water system.

The City also reports the following fund type:

Internal Service Funds – Internal service funds account for the financing of goods and services provided to other departments or agencies of the City on a cost-reimbursement basis. The City utilizes a Severance Compensation Internal Service Fund and an Insurance Internal Service Fund in managing city operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, government securities, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are combined and invested to the extent available in short-term investments. Earnings from the pooled investments are allocated to the individual funds based on the average monthly cash and investment balances of the respective funds.

The Minnesota Municipal Money Market (4M) Fund is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long-term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota Statutes, the 4M Fund is comprised of top quality-related investments.

Investments are generally stated at fair value, except for investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including bankers' acceptance and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

Cash held in escrow includes balances held in escrow accounts for future capital projects from energy loan proceeds. Earnings on these accounts are allocated directly to those funds.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Investment Policy

The City's investment policy contains the following restrictions:

a) Allowable Investments

The City may invest in any type of security allowed by Minnesota Statutes and may be amended from time to time. The City has chosen to limit its allowable investments to those instruments listed below:

- 1) Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities.
- 2) Interest-bearing checking and savings accounts, or any other investments constituting direct obligations of any bank.
- 3) Certificates of deposit at state and federally-chartered institutions that are limited to the amount of coverage provided by the Federal Deposit Insurance Corporation (FDIC).
- 4) Money market accounts that are invested in the above referenced government securities.
- 5) State and local securities, which have at the time of investment one of the three highest credit ratings by a nationally recognized rating agency.
- 6) Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates, of which are insured by the FDIC.
- 7) Investment products that are considered as derivatives are specifically excluded from approved investments.

b) Diversification

It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuers, or class of securities. Diversification strategies shall be determined and revised periodically by the City's finance director. The diversification shall be as follows:

- 1) Up to 100 percent of 2. a) 1), but not less than 10 percent
- 2) Up to 90 percent of 2. a) 2) and 2. a) 3)
- 3) Up to 20 percent of 2. a) 4)
- 4) Up to 20 percent of 2. a) 5)

c) Duration

It is the policy of the City to require that all investment maturities shall not extend beyond 10 years with no more than 20 percent maturing beyond 5 years. Subject to market conditions and cash flow requirements, it is desirable for the City's investments to be laddered over time in an effort to reduce interest rate market risk.

F. Receivables

Accounts receivable include amounts billed for services provided before year-end. The City annually certifies delinquent water and sewer accounts to the county for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Scott County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year; in July, December, and January. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable.

H. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as delinquent (levied but unremitted) or deferred (certified but not yet levied), or other (Green Acres) special assessments receivable. Deferred contingent special assessments represent assessments on undeveloped property that will not be levied and collected until the properties are subdivided or developed.

I. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds.” 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.”

J. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), and intangible assets such as water access agreements and easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Land improvements	5–20
Machinery and equipment	5–30
Vehicles	8–25
Infrastructure	10–65

Land, water access agreements, easements, and construction in progress are not depreciated.

K. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick leave. Upon separation, unused vacation and 50 percent of sick pay are paid to the employee if employed longer than five years. The majority of separation benefits are paid into a retirement health savings plan.

The City has provided funding for these obligations in the Severance Compensation Internal Service Fund and enterprise funds.

L. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

M. Other Post-Employment Benefits (OPEB)

Under Minnesota Statutes § 471.61, Subd. 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored healthcare plan, under the following conditions: 1) retirees must be receiving (or be eligible to receive) an annuity from a Minnesota public pension plan; 2) coverage must continue in a 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.

N. State-Wide Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA’s fiduciary net position have been determined on the same basis as they are reported by the PERA except that the PERA’s fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

O. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position, or balance sheets, will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources until then.

The City reports deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, difference between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Unavailable revenue, arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the finance director is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

R. Comparative Data

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2018, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

S. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 city manager. The legal level of budgetary control is the fund level.

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

U. 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; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. The LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims did not exceed insurance coverage in the past three fiscal years. There were no significant reductions in insurance coverage in the current year.

V. Restricted Assets

Restricted assets are cash, investments, and interest accrued thereon; the use of which is limited by external requirements, such as a bond indenture or trust agreements.

W. Use of Estimates

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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 866,640
Investments	38,203,587
Cash on hand	<u>850</u>
Total	<u>\$ 39,071,077</u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 39,046,077
Restricted assets – temporarily restricted – cash and investments held in escrow	<u>25,000</u>
Total	<u>\$ 39,071,077</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City’s deposits was \$866,640, while the balance on the bank records was \$1,153,704. At December 31, 2019, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurement	Interest Risk – Segmented Time Distribution in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. agency securities	AA	S&P	Level 2	\$ 1,796,390	\$ 1,150,115	\$ 2,946,505
Local government securities	AAA	S&P	Level 2	545,288	692,697	1,237,985
Local government securities	AAA	Moody's	Level 2	–	263,097	263,097
Local government securities	AA	S&P	Level 2	989,318	3,067,993	4,057,311
Local government securities	AA	Moody's	Level 2	–	992,231	992,231
Local government securities	A	S&P	Level 2	–	543,336	543,336
Negotiable certificates of deposit	N/R	N/A	Level 2	2,263,991	13,636,651	15,900,642
				<u>\$ 5,594,987</u>	<u>\$ 20,346,120</u>	<u>25,941,107</u>
Investment pools/mutual funds						
4M Fund	N/R	N/A	Amortized Cost			7,959,253
Federated Trust	AAA	S&P	Amortized Cost			242,858
Western Asset Institutional	AAA	S&P	Amortized Cost			3,998,353
U.S. Government Money Market Fund	AAA	S&P	Amortized Cost			62,016
Total investment pools/mutual funds						<u>12,262,480</u>
Total investments						<u>\$ 38,203,587</u>

N/A – Not Applicable

N/R – Not Rated

The City's investments include investment pools managed by the 4M Fund, which is an external investment pool regulated by Minnesota Statutes and is not registered with the Securities and Exchange Commission. The City's investments in this investment pool are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the 4M Fund. The 4M Fund term series portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the term series portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy as described in Note 1 addresses credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy as described in Note 1, addresses concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City has an investment policy as described in Note 1, which addresses interest rate risk.

NOTE 3 – CAPITAL ASSETS

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

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Land	\$ 32,221,249	\$ 1,048,502	\$ –	\$ –	\$ 33,269,751
Easements	47,095,500	1,077,910	–	–	48,173,410
Construction in progress	10,682,758	6,981,773	–	(13,844,101)	3,820,430
Total capital assets, not depreciated	89,999,507	9,108,185	–	(13,844,101)	85,263,591
Capital assets, depreciated					
Land improvements	2,774,127	58,001	–	–	2,832,128
Machinery and equipment	7,086,794	478,228	(137,120)	(67,140)	7,360,762
Vehicles	6,137,511	531,289	(335,086)	631,227	6,964,941
Infrastructure	107,310,589	1,839,582	–	8,696,951	117,847,122
Total capital assets, depreciated	123,309,021	2,907,100	(472,206)	9,261,038	135,004,953
Less accumulated depreciation on					
Land improvements	(1,694,437)	(69,949)	–	–	(1,764,386)
Machinery and equipment	(4,279,781)	(390,382)	107,164	–	(4,562,999)
Vehicles	(4,429,480)	(418,257)	330,812	–	(4,516,925)
Infrastructure	(53,647,168)	(3,619,250)	–	–	(57,266,418)
Total accumulated depreciation	(64,050,866)	(4,497,838)	437,976	–	(68,110,728)
Net capital assets, depreciated	59,258,155	(1,590,738)	(34,230)	9,261,038	66,894,225
Total capital assets, net	\$ 149,257,662	\$ 7,517,447	\$ (34,230)	\$ (4,583,063)	\$ 152,157,816

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Utility access agreements	\$ 1,492,167	\$ 1,007,803	\$ –	\$ –	\$ 2,499,970
Easements	218,912	–	–	–	218,912
Construction in progress	1,283,621	1,825,513	–	(3,106,064)	3,070
Total capital assets, not depreciated	2,994,700	2,833,316	–	(3,106,064)	2,721,952
Capital assets, depreciated					
Land improvements	87,739	–	–	–	87,739
Machinery and equipment	1,694,380	–	(13,101)	(304,972)	1,376,307
Vehicles	93,100	–	–	372,113	465,213
Infrastructure	78,392,046	631,271	–	7,621,986	86,645,303
Total capital assets, depreciated	80,267,265	631,271	(13,101)	7,689,127	88,574,562
Less accumulated depreciation on					
Land improvements	(39,384)	(4,387)	–	–	(43,771)
Machinery and equipment	(758,848)	(61,937)	10,101	–	(810,684)
Vehicles	(88,107)	(16,776)	–	–	(104,883)
Infrastructure	(17,703,006)	(1,503,602)	–	–	(19,206,608)
Total accumulated depreciation	(18,589,345)	(1,586,702)	10,101	–	(20,165,946)
Net capital assets, depreciated	61,677,920	(955,431)	(3,000)	7,689,127	68,408,616
Total capital assets, net	\$ 64,672,620	\$ 1,877,885	\$ (3,000)	\$ 4,583,063	\$ 71,130,568

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2019 was charged to the following functions:

Governmental activities	
General government	\$ 534,731
Public safety	214,520
Public works	3,312,563
Culture and recreation	<u>436,024</u>
Total depreciation expense – governmental activities	<u><u>\$ 4,497,838</u></u>
Business-type activities	
Water	\$ 888,449
Sewer	563,826
Water quality	<u>134,427</u>
Total depreciation expense – business-type activities	<u><u>\$ 1,586,702</u></u>

NOTE 4 – TRANSFERS

A schedule of interfund transfers is as follows:

Transfers Out	Governmental Funds				Transfer In	Proprietary Funds			Total
	General	Debt Service	Construction	Nonmajor	Internal Service Funds Severance	Water	Sewer	Water Quality	
Governmental funds									
General	\$ –	\$ 234,769	\$ –	\$ –	\$ 100,000	\$ –	\$ –	\$ –	\$ 334,769
Debt Service	–	148,164	–	–	–	–	–	–	148,164
Construction	–	200,518	–	–	–	129,867	306,280	267,517	904,182
Nonmajor	–	216,365	–	–	–	1,743,284	–	–	1,959,649
Proprietary funds									
Water	196,220	545,275	100,000	154,000	–	–	–	–	995,495
Sewer	196,220	–	250,000	80,927	–	–	–	–	527,147
Water Quality	63,860	–	42,900	20,000	–	–	–	–	126,760
	<u>\$ 456,300</u>	<u>\$ 1,345,091</u>	<u>\$ 392,900</u>	<u>\$ 254,927</u>	<u>\$ 100,000</u>	<u>\$ 1,873,151</u>	<u>\$ 306,280</u>	<u>\$ 267,517</u>	<u>\$ 4,996,166</u>

Transfers are used to move revenues from the funds in which they are collected to the funds where they are to be spent in accordance with statutory, budgetary, or contractual requirements.

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Balance – End of Year</u>
Governmental activities					
General obligation bonds					
Fire Hall Refunding Bonds 2011B	\$ 3,500,000	2.00–3.40%	12/14/2011	12/15/2031	\$ 2,820,000
Capital Improvement Refunding Bonds 2012A	\$ 9,825,000	2.00–2.70%	03/13/2012	12/15/2029	6,440,000
Street Reconstruction Bonds of 2015B	\$ 2,330,000	1.00–2.25%	05/14/2015	12/15/2022	900,000
Street Reconstruction Bonds of 2016A	\$ 760,000	2.00%	05/01/2016	12/15/2026	490,000
Improvement Bonds 2017A	\$ 370,000	2.00–2.25%	06/29/2017	12/15/2027	275,000
Improvement Bonds 2018A	\$ 1,165,000	4.00–5.00%	08/15/2018	12/15/2028	1,045,000
Improvement Bonds 2019A	\$ 215,000	5.00%	06/27/2019	12/15/2028	215,000
Total general obligation bonds					<u>12,185,000</u>
General obligation special assessment bonds					
Improvement Bonds of 2010A	\$ 1,235,000	0.80–3.20%	05/26/2010	12/15/2020	130,000
Improvement Bonds of 2011A	\$ 2,130,000	1.80–2.50%	08/31/2011	12/15/2021	445,000
Improvement Bonds of 2011B	\$ 2,280,000	2.00–2.35%	12/14/2011	12/15/2022	730,000
Improvement Bonds of 2013A	\$ 3,240,000	2.00–2.65%	08/15/2013	12/15/2023	1,290,000
Improvement Bonds of 2014A	\$ 2,665,000	2.00–2.50%	09/25/2014	12/15/2024	1,170,000
Improvement Bonds of 2015A	\$ 4,640,000	2.00–3.00%	05/14/2015	12/15/2030	4,640,000
Improvement Bonds of 2015B	\$ 160,000	1.00–2.25%	05/14/2015	12/15/2022	75,000
Improvement Bonds of 2016A	\$ 1,105,000	2.00%	05/01/2016	12/15/2026	770,000
Improvement Bonds of 2017A	\$ 4,135,000	2.00–2.25%	06/29/2017	12/15/2024	3,330,000
Improvement Bonds of 2018A	\$ 4,465,000	4.00–5.00%	08/15/2018	12/15/2028	4,035,000
Improvement Bonds of 2019A	\$ 1,850,000	5.00%	06/27/2019	12/15/2028	1,850,000
Total general obligation special assessment bonds					<u>18,465,000</u>
Tax increment bonds					
Tax Increment Refunding Bonds of 2011A	\$ 290,000	1.80–3.00%	08/31/2011	12/15/2024	135,000
General obligation revenue bonds					
General Obligation Improvement Bonds of 2015A	\$ 5,360,000	1.00–3.00%	05/14/2015	12/15/2031	5,210,000
General Obligation Improvement Bonds of 2016A	\$ 1,640,000	2.00%	05/01/2016	12/15/2022	1,035,000
Total general obligation revenue bonds					<u>6,245,000</u>
Premium (discount) on bonds payable					1,430,714
Energy loan payable	\$ 2,667,924	2.12%	12/08/2014	06/19/2025	1,552,924
Compensated absences payable					<u>841,031</u>
Total governmental activity long-term liabilities					<u>40,854,669</u>
Business-type activities					
General obligation revenue bonds					
General Obligation Improvement Bonds of 2018A	\$ 2,640,000	4.00–5.00%	08/15/2018	12/15/2028	2,430,000
Premium (discount) on bonds payable					301,712
Compensated absences payable					<u>200,014</u>
Total business-type activity long-term liabilities					<u>2,931,726</u>
Total government-wide long-term liabilities					<u>\$ 43,786,395</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
Bonds payable					
G.O. bonds	\$ 13,200,000	\$ 215,000	\$ 1,230,000	\$ 12,185,000	\$ 1,155,000
G.O. special assessment bonds	18,905,000	1,850,000	2,290,000	18,465,000	2,350,000
G.O. tax increment bonds	160,000	–	25,000	135,000	25,000
G.O. revenue bonds	6,630,000	–	385,000	6,245,000	400,000
Premium (discount) on bonds payable	1,199,452	368,566	137,304	1,430,714	–
Total bonds payable, net of premium (discount)	40,094,452	2,433,566	4,067,304	38,460,714	3,930,000
Energy loan payable	1,816,436	–	263,512	1,552,924	269,126
Compensated absences payable	838,524	102,945	100,438	841,031	362,282
Governmental activities long-term liabilities	\$ 42,749,412	\$ 2,536,511	\$ 4,431,254	\$ 40,854,669	\$ 4,561,408
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 2,640,000	\$ –	\$ 210,000	\$ 2,430,000	\$ 240,000
Premium (discount) on bonds payable	335,236	–	33,524	301,712	–
Total bonds payable, net of premium (discount)	2,975,236	–	243,524	2,731,712	240,000
Compensated absences payable	167,619	32,395	–	200,014	66,390
Business-type activities long-term liabilities	\$ 3,142,855	\$ 32,395	\$ 243,524	\$ 2,931,726	\$ 306,390

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending December 31,	General Obligation		G.O. Special Assessment		Governmental Activities G.O. Tax Increment Bonds		G.O. Revenue Bonds		Energy Loan Payable		Business-Type Activities G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,155,000	\$ 326,110	\$ 2,350,000	\$ 603,412	\$ 25,000	\$ 3,763	\$ 400,000	\$ 153,325	\$ 269,126	\$ 31,488	\$ 240,000	\$ 108,900
2021	1,290,000	295,048	2,265,000	488,202	25,000	3,175	420,000	145,700	274,859	25,755	240,000	99,300
2022	1,450,000	265,808	2,070,000	433,038	25,000	2,550	440,000	137,675	280,714	19,900	250,000	89,700
2023	1,080,000	232,316	2,165,000	373,318	30,000	1,800	480,000	129,250	286,693	13,920	260,000	79,700
2024	1,070,000	206,591	1,950,000	310,363	30,000	900	495,000	119,650	292,801	7,813	270,000	69,300
2025–2029	5,525,000	584,720	7,095,000	738,939	–	–	2,755,000	423,200	148,731	1,576	1,170,000	150,500
2030–2031	615,000	31,620	570,000	17,100	–	–	1,255,000	56,850	–	–	–	–
	<u>\$ 12,185,000</u>	<u>\$ 1,942,213</u>	<u>\$ 18,465,000</u>	<u>\$ 2,964,372</u>	<u>\$ 135,000</u>	<u>\$ 12,188</u>	<u>\$ 6,245,000</u>	<u>\$ 1,165,650</u>	<u>\$ 1,552,924</u>	<u>\$ 100,452</u>	<u>\$ 2,430,000</u>	<u>\$ 597,400</u>

D. Other Long-Term Liabilities

The City offers a number of benefits to its employees, including severance benefits payable and compensated absences payable. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General, Enterprise Funds, and Internal Service Funds.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Descriptions and Restrictions of Long-Term Debt

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. They will be repaid with ad valorem taxes. General obligation bonds have been issued for general government activities. In addition, general obligation bonds have been issued to refund bond issues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The capital improvement plan bonds were issued on behalf of the City by Scott County for the City's share of the County Road 82 improvement.

General Obligation Special Assessment Bonds – Special assessment 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 full faith and credit of the City.

General Obligation Tax Increment Bonds – These bonds were issued for downtown redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

General Obligation Revenue Bonds – These bonds were used to finance maintenance and building improvements. They will be repaid with ad valorem taxes and revenue from the utilities. The bonds are backed by the full faith and credit of the City.

Compensated Absences – This liability represents vested benefits earned by employees through the end of the year, which will be paid at termination of employment in future years. The Internal Service Fund and enterprise funds will be used to liquidate this liability.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Energy Loan Payable – In 2014, the City entered into an energy loan payable for the purpose of furnishing certain equipment and work designed to reduce energy consumption and operational costs in the City. In this energy loan payable agreement, the provider guarantees a minimum level of energy and operational savings in the City. Payments on the loan will be made semiannually in the amount of \$150,307 commencing December 19, 2015 and each June and December 19 thereafter, until final payment is made on June 19, 2025.

If the City fails to make loan payments specified in this agreement or otherwise defaults on the loan, the lender may declare the loan fully due and payable, take possession of the equipment identified in this agreement without terminating the agreement, exclude the City from possession of the equipment and attempt to sell the equipment identified in the loan, or take legal actions to force the City to comply with the terms of the loan.

F. Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. The aggregate amount of all conduit debt outstanding at December 31, 2019 is \$4,656,853

G. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2011A	Street and site improvements	Tax increment financing	100%	2011–2024	\$ 147,188	\$ 29,300	\$ 138,571
General Obligation Bonds of 2015A	Partial refunding	Utility charges	100%	2015–2031	\$ 6,333,450	\$ 208,375	\$ 3,792,321
General Obligation Bonds of 2016A	Partial refunding	Utility charges	100%	2016–2022	\$ 1,077,200	\$ 336,800	\$ 3,792,321
General Obligation Bonds of 2018A	Water and sewer improvements	Utility charges	100%	2018–2028	\$ 3,027,400	\$ 366,404	\$ 7,414,354

NOTE 5 – LONG-TERM DEBT (CONTINUED)

H. Legal Debt Margin

The City's statutory debt limit is equal to 3 percent of estimated taxable market value of property located within the City. The taxable market value totals \$3,447,986,900, which calculates to a debt limit of \$103,439,607. Debt financed partially or entirely by special assessments, tax increments, and other revenue sources, is not applied against the City's debt limit, nor is debt financed by proprietary fund revenues. Currently, the City has \$12,185,000 of general obligation debt outstanding, leaving a debt margin of \$91,254,607.

NOTE 6 – FUND BALANCES

A. Classifications

At December 31, 2019, a summary of the City's governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Restricted					
Future debt service	\$ –	\$ 3,003,467	\$ –	\$ –	\$ 3,003,467
Economic development	–	–	–	178,317	178,317
Tax increment	–	–	–	764,021	764,021
Forfeiture sales	–	–	–	142,356	142,356
Total restricted	<u>–</u>	<u>3,003,467</u>	<u>–</u>	<u>1,084,694</u>	<u>4,088,161</u>
Assigned					
Subsequent year's budget	324,712	–	–	–	324,712
Capital improvements	–	–	261,269	10,106,731	10,368,000
Development	–	–	–	527,756	527,756
Communications	–	–	–	75,166	75,166
Total assigned	<u>324,712</u>	<u>–</u>	<u>261,269</u>	<u>10,709,653</u>	<u>11,295,634</u>
Unassigned	<u>7,578,463</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,578,463</u>
Total	<u>\$ 7,903,175</u>	<u>\$ 3,003,467</u>	<u>\$ 261,269</u>	<u>\$ 11,794,347</u>	<u>\$ 22,962,258</u>

B. Minimum Unrestricted Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes that the City will strive to maintain an unrestricted General Fund balance (which includes committed, assigned, and unassigned classifications) between 40.0 and 50.0 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2019, the unrestricted fund balance of the General Fund was 53.9 percent of the subsequent year's budgeted expenditures and transfers out.

NOTE 6 – FUND BALANCES (CONTINUED)

The City Council may consider the judicious use of reserve balances in the following situations:

- to fund an expenditure of long-term benefit or legacy to the community
- to fund a one-time (nonrecurring) expenditure or grant matching opportunity
- to fund a one-time unplanned revenue shortfall
- to fund an unplanned expenditure due to an emergency or disaster
- to moderate property taxes
- to retire existing debt
- to fund policy shifts by other governmental entities having a negative impact on the City
- to provide catch-up funding for long-term obligations not previously recognized

In no case will the unrestricted balance be allowed to fall below 40 percent.

In the event that the year-end unrestricted balance is projected to be less than the target level, due to the use of unrestricted balances for purposes identified above, a plan must be presented to the City Council at the time the unrestricted funds are appropriated that will reestablish the target level within 24 to 36 months.

If restoration of the unrestricted balance cannot be accomplished within such period without severe hardship to the City, then the City Council will establish a different time period.

NOTE 7 – DEFINED BENEFIT PENSION PLANS - STATE-WIDE

A. Plan Description

City employees participate in two state-wide cost-sharing, multi-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) of Minnesota, including the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2019:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
GERF	\$ 3,754,038	\$ 397,165	\$ 788,502	\$ 421,621
PEPFF	2,734,960	2,669,654	3,806,029	447,147
Total	<u>\$ 6,488,998</u>	<u>\$ 3,066,819</u>	<u>\$ 4,594,531</u>	<u>\$ 868,768</u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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.

1. GERF Benefits

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 the 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 Plan 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 Plan members is 1.7 percent of 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 age 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. PEPFF Benefits

Benefits for the PEPFF 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 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after 10 years, up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 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 post-retirement 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. Such benefits are financed by the General Fund and enterprise funds.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019. The City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2019, were \$374,803. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF 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 PEPFF for the year ended December 31, 2019, were \$498,625. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2019, the City reported a liability of \$3,754,038 for its proportionate share of the GERF’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 proportion of the net pension liability was based on the City’s contributions received by the 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 the PERA’s participating employers. The City’s proportionate share was 0.0679 percent at the end of the measurement period and 0.0655 percent for the beginning of the period.

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 nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of net pension liability	\$ 3,754,038
State’s proportionate share of the net pension liability associated with the City	\$ 116,662

For the year ended December 31, 2019, the City recognized pension expense of \$412,884 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$8,737 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

At December 31, 2019, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 104,844	\$ –
Changes in actuarial assumptions	–	294,696
Differences between projected and actual investment earnings	–	375,705
Changes in proportion	101,886	118,101
Contributions paid to the PERA subsequent to the measurement date	<u>190,435</u>	<u>–</u>
Total	<u>\$ 397,165</u>	<u>\$ 788,502</u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of \$190,435 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (221,567)
2021	\$ (327,167)
2022	\$ (39,089)
2023	\$ 6,051

2. PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$2,734,960 for its proportionate share of the PEPFF'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 proportion of the net pension liability was based on the City's contributions received by the 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 the PERA's participating employers. The City's proportionate share was 0.2569 percent at the end of the measurement period and 0.2463 percent for the beginning of the period.

For the year ended December 31, 2019, the City recognized pension expense of \$412,466 for its proportionate share of the PEPFF's pension expense. The City also recognized \$34,681 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At December 31, 2019, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 110,693	\$ 386,401
Changes in actuarial assumptions	2,102,611	2,827,124
Differences between projected and actual investment earnings	–	532,197
Changes in proportion	186,862	60,307
Contributions paid to the PERA subsequent to the measurement date	<u>269,488</u>	<u>–</u>
Total	<u><u>\$ 2,669,654</u></u>	<u><u>\$ 3,806,029</u></u>

A total of \$269,488 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (155,547)
2021	\$ (330,558)
2022	\$ (976,334)
2023	\$ 40,060
2024	\$ 16,516

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 for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF, and 1.00 percent per year for the PEPFF.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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 GERF was completed in 2019. The most recent four-year experience study for the PEPFF was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

1. GERF

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.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic 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	2.0	– %
Total	100.0 %	

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 positions of the GERF and the PEPFF 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City’s proportionate share of the GERF net pension liability	\$ 6,171,438	\$ 3,754,038	\$ 1,757,996
City’s proportionate share of the PEPFF net pension liability	\$ 5,978,114	\$ 2,734,960	\$ 52,924

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 PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Prior Lake Fire Department (the Department) are covered by a defined benefit plan administered by the Prior Lake Fire Department Relief Association (the Association). As of December 31, 2018, the plan covered 43 active firefighters and 12 vested terminated firefighters whose pension benefits are deferred. The plan was established November 1, 1957, and the Association operates under the provisions of Minnesota Laws 1965, Chapter 446, as amended and Minnesota Statutes, Chapters 69 and 424A. It is governed by a Board of Trustees (the Board) made up of six members elected by the members of the Association for three-year terms, and the mayor, city manager, and fire chief, who serve as ex officio voting members of the Board of Trustees.

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

Retirement Benefits

According to the bylaws of the Association and pursuant to Minnesota Statutes, Chapter 424A.02, Subdivisions 2 and 4, the Association pays to each member who has served as an active firefighter in the Department for a period of 20 years or more to his/her resignation, and who has reached the age of 50 years or more, \$8,000 per year of service for lump sum. A member who has served in the Department for at least 20 years but has not reached the age of 50, may retire and be placed on the deferred pension roll until he/she reaches the age of 50. Members who retire with less than 20 years of service, have reached the age of 50, and have completed at least 10 years of active membership are entitled to a reduced service pension.

Disability Benefits

If a member of the Association becomes totally or permanently disabled, the Association shall pay to such members the lump sum of \$8,000 for each year that they have served as an active member of the Department.

Death Benefit

Upon the death of any member of the Association who is in good standing at the time of their death, the Association shall pay to the surviving spouse, if any, and if there is no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member under 10 years of service, the sum of \$8,000 for each year that they served as an active member of the Department.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

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 \$234,651 in fire state aid to the plan on behalf of the 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 \$232,651. The City's contributions were equal to the required contributions as set by state statutes. The City made a \$20,000 voluntary contribution to the plan in the year ended December 31, 2019. Furthermore, firefighters have no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of \$639,774 for the plan. The net pension liability (asset) was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2018.

For the year ended December 31, 2019, the City recognized a pension expense of \$267,697. The City also recognized \$227,610 as revenue for the state of Minnesota's on-behalf contributions to the Department.

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning balance – January 1, 2019	\$ 3,876,642	\$ 4,898,617	\$ (1,021,975)
Changes for the year			
Service cost	151,350	–	151,350
Interest on pension liability (asset)	220,949	–	220,949
Assumption changes	53,174	–	53,174
Projected investment earnings	–	280,535	(280,535)
Contributions (employer)	–	20,000	(20,000)
Contributions (state)	–	227,610	(227,610)
Asset (gain) loss	(60,490)	(542,719)	482,229
Benefit payments	(691,031)	(691,031)	–
Administrative costs	–	(2,644)	2,644
Total net changes	<u>(326,048)</u>	<u>(708,249)</u>	<u>382,201</u>
Ending balance – December 31, 2019	<u>\$ 3,550,594</u>	<u>\$ 4,190,368</u>	<u>\$ (639,774)</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

At December 31, 2019, the City reported deferred inflows of resources and deferred outflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 244,705	\$ –
Changes in actuarial assumptions	46,527	–
Difference between expected and actual economic experience	17,500	52,928
State aid to the City subsequent to the measurement date	–	234,651
Contributions from the City subsequent to the measurement date	<u>252,651</u>	<u>–</u>
Total	<u>\$ 561,383</u>	<u>\$ 287,579</u>

Deferred outflows of resources totaling \$252,651 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 liability in the year ending December 31, 2020. Deferred inflows of resources totaling \$234,651 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 94,605
2021	15,453
2022	33,859
2023	111,129
2024	2,584
Thereafter	(1,826)

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:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service, vested at 60 percent and increased by 4 percent for each additional year of service, up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service	
Salary increases	2.50%
Investment rate of return	5.50%
20-year municipal bond yield	3.50%

The 5.50 percent 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.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

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

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	11.00 %	2.25 %
Fixed income	34.00	3.75 %
Equities	55.00	7.25 %
Other	–	6.00 %
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. 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 (Asset) Sensitivity

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

	<u>1% Decrease (4.50%)</u>	<u>Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net pension liability (asset)	<u>\$ (528,430)</u>	<u>\$ (639,774)</u>	<u>\$ (744,541)</u>

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Prior Lake Fire Relief Association, 5316 Hampton Street, Prior Lake, Minnesota 55372.

I. Assumption Changes

The discount rate was changed from 6.00 percent to 5.50 percent.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The Plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the City upon retirement have the option under state law to continue their medical insurance coverage through the City. For members of certain employee groups, the City pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the City differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these City-paid premium benefits must pay the full city premium rate for their coverage.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$28,422. Contributions for OPEB are be paid by the General Fund and enterprise funds.

D. Membership

Membership in the Plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	6
Active plan members	<u>94</u>
Total members	<u><u>100</u></u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Total OPEB Liability of the City

The City's total OPEB liability of \$796,524 as of year-end was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the entry-age, level percentage of pay actuarial method and 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%
Healthcare trend rate	6.50%, grading to 5.00% over 6 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota city employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are 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.

Since the Plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 3.80 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The City discount rate used in the prior measurement date was 3.30 percent.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The mortality rates used in the previous study were based on the RP-2014 adjusted to MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel). Healthcare costs trend rates were also changed from the previous study to better anticipate short-term and long-term medical increases.

Future retirees electing coverage is assumed to be 50 percent when a pre-age 65 subsidy is not available. Married future retirees electing spouse coverage is assumed to be 25 percent when a pre-age 65 subsidy is not available.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – January 1, 2019	\$ 906,133
Changes for the year	
Service cost	62,717
Interest	31,270
Assumption Changes	(37,343)
Difference between expected and actual experience	(123,346)
Benefit payments – employer-financed	(42,907)
Total net changes	<u>(109,609)</u>
Ending balance – December 31, 2019	<u>\$ 796,524</u>

Assumption changes since the prior measurement date include the following:

- The healthcare trend rates were changed from 6.25 percent grading to 5.00 percent over 5 years, to 6.50 percent grading to 5.00 percent over 6 years.
- The mortality tables were updated to meet current actuarial standards
- The discount rate was changed from 3.30 percent to 3.80 percent.

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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 or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.80%	3.80%	4.80%
Total OPEB liability	<u>\$ 859,316</u>	<u>\$ 796,524</u>	<u>\$ 737,989</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The following presents the net OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Total OPEB liability	<u>\$ 713,907</u>	<u>\$ 796,524</u>	<u>\$ 893,610</u>

I. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the City recognized OPEB expense of \$47,710. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>of Resources</u>	<u>of Resources</u>
Changes in actuarial assumptions	\$ –	\$ 109,640
Difference between expected and actual economic experience	–	33,193
Contributions from the City subsequent to the measurement date	28,422	–
	<u>\$ 28,422</u>	<u>\$ 142,833</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Deferred outflows of resources totaling \$28,422 related to pensions resulting from city contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending June 30,	OPEB Expense Amount
2020	\$ (17,856)
2021	\$ (17,856)
2022	\$ (17,856)
2023	\$ (17,856)
2024	\$ (17,856)
Thereafter	\$ (53,553)

NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

Deficit Net Position

As of December 31, 2019, the Severance Compensation Internal Service Fund had a deficit net position of \$480,946. This deficit will be eliminated by future charges for services.

NOTE 11 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, has entered into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. The City currently has six agreements that would be considered tax abatements.

Name	Purpose	Amount Abated During the Fiscal Year	Outstanding Principal Balance at Year-End	Date of Required Decertification
1-3 Lakefront	80-unit owner-occupied senior housing facility and 12,000 square feet of retail space and related improvements	\$ 103,929	\$ 903,011	12/31/2029
1-4 River Valley Vet	7,000 square foot addition to the existing veterinary clinic facility	\$ 9,371	\$ 17,558	12/31/2022
3-1 Creekside Estates	54-unit senior housing facility	\$ 44,321	\$ 2,255	12/31/2029
5-1 Premier Dance	10,000 square foot commercial facility to be used as a dance studio	\$ 14,559	\$ 125,572	12/31/2034
6-1 Shepherds Path	80.03 acres, including 442 senior housing units, a YMCA facility, youth center, medical office/clinic, bank, park area, trails, and companion uses to the existing church	\$ 305,401	\$ 2,933,914	12/31/2034
1-5 Gateway Center	Acquisition, construction and equipping of a 170-unit multi-family senior housing development	\$ 166,209	\$ 1,504,450	12/31/2035

NOTE 11 – TAX ABATEMENT AGREEMENTS (CONTINUED)

The City is authorized to create a tax increment financing plan under Minnesota Statutes, Chapter 469.175. The criteria that must be met under the state statutes are that, in the opinion of the municipality:

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;
- The tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole; and
- The tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

The City has entered into private development agreements regarding certain tax increment properties. The vehicle used for this reimbursement is called a tax increment revenue note.

These notes provide for the payment of principal, equal to the developer's costs, plus interest at a set rate. Payments on the loan will be made at the lesser of the note payment or the actual net tax increment received (or a reduced percentage received in certain cases) during specific years as stated in the agreement. Payments are first applied to accrued interest and then to the principal balance. The note is canceled at the end of the agreement term, whether or not the note has been repaid. Any additional tax increments received in years following the term are retained by the City.

The outstanding principal balances as of December 31, 2019 for these agreements are listed on the previous page. These amounts are not included in long-term debt because the nature of these notes is that repayment is required only if sufficient tax increments are received. The City's position is that these are obligations to assign future and uncertain revenue sources and, as such, is not actual debt in substance.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

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

B. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

C. Construction Contracts

During fiscal 2019, the City awarded contracts for various construction and remodeling projects. The City's commitment for uncompleted work on these contracts at December 31, 2019 is \$403,640.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the Office of the State Auditor. 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.

NOTE 13 – SUBSEQUENT EVENTS – INVESTMENT FAIR VALUES

The City generally reports its investments at fair value based on standards described earlier in these notes. Subsequent to year-end, the novel coronavirus (COVID-19) pandemic has caused significant volatility in economic conditions, including substantial reductions in the quoted active-market prices of some investments. The City's portfolio consists primarily of shorter-term investments, many with guaranteed maturity values. The City does not expect any losses ultimately realized from this market decline to be material. However, the potential negative impact could be heightened if increased demand on City resources and/or a sustained economic downturn hampers the City's ability to hold such investments to maturity as planned. The potential future impact of these conditions on the fair value of the City's investment portfolio is not determinable at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRIOR LAKE

PERA – General Employees Retirement Fund
 Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0719%	\$ 3,726,231	\$ –	\$ 3,726,231	\$ 4,189,768	88.94%	78.20%
12/31/2016	06/30/2016	0.0691%	\$ 5,610,578	\$ 73,274	\$ 5,683,852	\$ 4,285,600	130.92%	68.90%
12/31/2017	06/30/2017	0.0692%	\$ 4,417,682	\$ 55,547	\$ 4,473,229	\$ 4,457,941	99.10%	75.90%
12/31/2018	06/30/2018	0.0655%	\$ 3,633,671	\$ 119,282	\$ 3,752,953	\$ 4,405,847	82.47%	79.50%
12/31/2019	06/30/2019	0.0679%	\$ 3,754,038	\$ 116,662	\$ 3,870,700	\$ 4,803,433	78.15%	80.20%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 314,233	\$ 314,233	\$ –	\$ 4,189,768	7.50%
12/31/2016	\$ 332,258	\$ 332,258	\$ –	\$ 4,430,122	7.50%
12/31/2017	\$ 328,001	\$ 328,001	\$ –	\$ 4,373,614	7.50%
12/31/2018	\$ 344,234	\$ 344,234	\$ –	\$ 4,589,776	7.50%
12/31/2019	\$ 374,803	\$ 374,803	\$ –	\$ 4,999,585	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF PRIOR LAKE

PERA – Public Employees Police and Fire Fund
 Schedule of City’s Proportionate Share of Net Pension Liability
 Year Ended December 31, 2019

City Fiscal Year-End	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.2400%	\$ 2,726,962	\$ 2,244,215	121.51%	86.60%
12/31/2016	06/30/2016	0.2380%	\$ 9,551,354	\$ 2,294,383	416.29%	63.90%
12/31/2017	06/30/2017	0.2360%	\$ 3,186,282	\$ 2,425,426	131.37%	85.40%
12/31/2018	06/30/2018	0.2463%	\$ 2,625,304	\$ 2,595,948	101.13%	88.80%
12/31/2019	06/30/2019	0.2569%	\$ 2,734,960	\$ 2,713,440	100.79%	89.30%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

City Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 363,525	\$ 363,525	\$ –	\$ 2,244,215	16.20%
12/31/2016	\$ 377,586	\$ 377,586	\$ –	\$ 2,337,729	16.15%
12/31/2017	\$ 400,549	\$ 400,549	\$ –	\$ 2,472,531	16.20%
12/31/2018	\$ 431,541	\$ 431,541	\$ –	\$ 2,666,989	16.18%
12/31/2019	\$ 498,625	\$ 498,625	\$ –	\$ 2,941,707	16.95%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF PRIOR LAKE

Prior Lake Fire Relief Association
 Schedule of Changes in the Relief Association's
 Net Pension Asset and Related Ratios
 (Last Ten Years)

City fiscal year-end dated December 31,	2015	2016	2017	2018	2019
Measurement period – December 31,	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 106,719	\$ 109,387	\$ 110,441	\$ 132,893	\$ 151,350
Interest	148,718	164,204	192,181	208,100	220,949
Asset (gain) loss	–	–	28,006	–	(60,490)
Benefit payments	–	–	(34,403)	(209,373)	(691,031)
Assumption changes	–	–	–	–	53,174
Plan changes	–	99,450	34,110	304,902	–
Net change in total pension liability	255,437	373,041	330,335	436,522	(326,048)
Total pension liability – beginning	2,481,307	2,736,744	3,109,785	3,440,120	3,876,642
Total pension liability – ending	<u>\$ 2,736,744</u>	<u>\$ 3,109,785</u>	<u>\$ 3,440,120</u>	<u>\$ 3,876,642</u>	<u>\$ 3,550,594</u>
Plan fiduciary net position					
Contributions (state and local)	\$ 215,194	\$ 228,087	\$ 235,891	\$ 237,182	\$ 247,610
Net investment income	154,856	(169,276)	320,811	640,986	(262,184)
Benefit payments	–	–	(34,403)	(209,373)	(691,031)
Administrative costs	(6,647)	(6,640)	(9,160)	(120)	(2,644)
Net change in plan fiduciary net position	363,403	52,171	513,139	668,675	(708,249)
Total pension liability – beginning	3,301,229	3,664,632	3,716,803	4,229,942	4,898,617
Total pension liability – ending	<u>\$ 3,664,632</u>	<u>\$ 3,716,803</u>	<u>\$ 4,229,942</u>	<u>\$ 4,898,617</u>	<u>\$ 4,190,368</u>
Net pension liability (asset) – ending	<u>\$ (927,888)</u>	<u>\$ (607,018)</u>	<u>\$ (789,822)</u>	<u>\$ (1,021,975)</u>	<u>\$ (639,774)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>133.90%</u>	<u>119.52%</u>	<u>122.96%</u>	<u>126.36%</u>	<u>118.02%</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous years.

CITY OF PRIOR LAKE

Prior Lake Fire Relief Association
 Schedule of City Contributions
 Year Ended December 31, 2019
 (Last Ten Years)

<u>City Fiscal Year-End Date</u>	<u>Statutorily Required Contributions</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Voluntary City Contribution</u>
12/31/2015	\$ 208,087	\$ 208,087	\$ —	\$ 20,000
12/31/2016	\$ 215,891	\$ 215,891	\$ —	\$ 20,000
12/31/2017	\$ 217,182	\$ 217,182	\$ —	\$ 20,000
12/31/2018	\$ 225,610	\$ 225,610	\$ —	\$ 20,000
12/31/2019	\$ 234,651	\$ 234,651	\$ —	\$ 20,000

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous years.

CITY OF PRIOR LAKE

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 61,214	\$ 62,717
Interest	29,555	31,270
Changes of assumptions	-	(37,343)
Differences between expected and actual experiences	-	(123,346)
Benefit payments	<u>(37,688)</u>	<u>(42,907)</u>
Net change in total OPEB liability	53,081	(109,609)
Total OPEB liability – beginning of year	<u>853,052</u>	<u>906,133</u>
Total OPEB liability – end of year	<u><u>\$ 906,133</u></u>	<u><u>\$ 796,524</u></u>
Covered payroll	<u><u>\$ 6,560,761</u></u>	<u><u>\$ 7,134,065</u></u>
Total OPEB liability as a percentage of covered payroll	<u><u>13.81%</u></u>	<u><u>11.17%</u></u>

Note: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- 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 zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement 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.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 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 100.00 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 zero 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.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- 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 CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested 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 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 5.60 percent per annum to 7.50 percent per annum.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent per year thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 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 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)
December 31, 2019

PRIOR LAKE FIRE RELIEF ASSOCIATION

- The discount rate was changed from 6.00 percent to 5.50 percent for 2019.
- A benefit level increase from \$7,200 to \$8,000 was reflected in the pension liability for 2018.
- A benefit level increase from \$7,100 to \$7,200 was reflected in the pension liability for 2017.
- A benefit level increase from \$6,800 to \$7,100 was reflected in the pension liability for 2016.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed from 6.25 percent, grading to 5.00 percent over five years, to 6.50 percent, grading to 5.00 percent over six years.
- The mortality tables were updated to meet current actuarial standards.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed from 6.50 percent, grading to 5.00 percent over six years, to 6.25 percent, grading to 5.00 percent over five years.
- The mortality table was updated from RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale, to RF-2014 White Collar with MP-2016 Generational Improvement Scale.
- The actuarial cost method was changed from entry-age normal level dollar to entry-age level percent of pay.
- The discount rate was changed from 3.50 percent to 3.30 percent.

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SUPPLEMENTAL INFORMATION

CITY OF PRIOR LAKE

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2019

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 3,698,420	\$ 8,721,687	\$ 12,420,107
Cash held in escrow	25,000	-	25,000
Receivables			
Delinquent taxes	98	-	98
Accounts	58,337	138,715	197,052
Special assessments			
Delinquent	-	1,285	1,285
Deferred	-	512,639	512,639
Due from other governmental agencies	100,748	7,793	108,541
Total assets	\$ 3,882,603	\$ 9,382,119	\$ 13,264,722
Liabilities			
Accounts and contracts payable	\$ 258,684	\$ 351,886	\$ 610,570
Accrued salaries and employee benefits payable	8,252	-	8,252
Due to other governmental agencies	1,131	-	1,131
Deposits payable	186,149	116,500	302,649
Unearned revenue	33,750	-	33,750
Total liabilities	487,966	468,386	956,352
Deferred inflows of resources			
Unavailable revenue from delinquent taxes	98	-	98
Unavailable revenue from special assessments	-	513,925	513,925
Total deferred inflows of resources	98	513,925	514,023
Fund balances			
Restricted	320,673	764,021	1,084,694
Assigned	3,073,866	7,635,787	10,709,653
Total fund balances	3,394,539	8,399,808	11,794,347
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,882,603	\$ 9,382,119	\$ 13,264,722

CITY OF PRIOR LAKE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total
Revenue			
Taxes	\$ 149,698	\$ 1,756,506	\$ 1,906,204
Special assessments	-	367,378	367,378
Intergovernmental	100,000	-	100,000
Charges for services	615,170	1,556,081	2,171,251
Investment income	106,530	363,100	469,630
Miscellaneous			
Contributions and donations	12,800	-	12,800
Other	96,863	-	96,863
Total revenue	<u>1,081,061</u>	<u>4,043,065</u>	<u>5,124,126</u>
Expenditures			
Current			
General government	243	-	243
Public safety	115,397	-	115,397
Economic development	171,553	4,196	175,749
Culture and recreation	49,735	-	49,735
Capital outlay	804,847	2,828,268	3,633,115
Debt service			
Interest and other	-	16,750	16,750
Total expenditures	<u>1,141,775</u>	<u>2,849,214</u>	<u>3,990,989</u>
Excess (deficiency) of revenues over expenditures	(60,714)	1,193,851	1,133,137
Other financing sources (uses)			
Debt issued	-	615,000	615,000
Premium on debt issued	-	88,749	88,749
Transfers in	-	254,927	254,927
Transfers out	-	(1,959,649)	(1,959,649)
Sale of capital assets	-	8,020	8,020
Total other financing sources (uses)	<u>-</u>	<u>(992,953)</u>	<u>(992,953)</u>
Net change in fund balances	(60,714)	200,898	140,184
Fund balances			
Beginning of year	<u>3,455,253</u>	<u>8,198,910</u>	<u>11,654,163</u>
End of year	<u>\$ 3,394,539</u>	<u>\$ 8,399,808</u>	<u>\$ 11,794,347</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2019

	Capital Park	ED Revolving Loan	Revolving Loan
Assets			
Cash and investments	\$ 1,814,074	\$ 129,896	\$ 658
Cash held in escrow	-	-	-
Receivables			
Delinquent taxes	-	-	-
Accounts	3,186	616	347
Due from other governmental agencies	100,000	-	-
	<u>1,917,260</u>	<u>130,512</u>	<u>1,005</u>
Total assets	<u>\$ 1,917,260</u>	<u>\$ 130,512</u>	<u>\$ 1,005</u>
Liabilities			
Accounts and contracts payable	\$ 152,817	\$ -	\$ -
Accrued salaries and employee benefits payable	-	-	-
Due to other governmental agencies	-	-	-
Deposits payable	-	-	-
Unearned revenue	33,750	-	-
Total liabilities	<u>186,567</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue from delinquent taxes	-	-	-
Fund balances			
Restricted for economic development	-	130,512	1,005
Restricted for forfeiture sales	-	-	-
Assigned for capital improvements	1,730,693	-	-
Assigned for development	-	-	-
Assigned for communications	-	-	-
Total fund balances	<u>1,730,693</u>	<u>130,512</u>	<u>1,005</u>
	<u>\$ 1,917,260</u>	<u>\$ 130,512</u>	<u>\$ 1,005</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,917,260</u>	<u>\$ 130,512</u>	<u>\$ 1,005</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Total</u>
\$ 68,135	\$ 538,644	\$ 199,892	\$ 947,121	\$ 3,698,420
25,000	-	-	-	25,000
-	98	-	-	98
7,031	46,881	276	-	58,337
-	748	-	-	100,748
<u>\$ 100,166</u>	<u>\$ 586,371</u>	<u>\$ 200,168</u>	<u>\$ 947,121</u>	<u>\$ 3,882,603</u>
\$ -	\$ 2,334	\$ 57,812	\$ 45,721	\$ 258,684
-	8,252	-	-	8,252
-	1,131	-	-	1,131
25,000	-	-	161,149	186,149
-	-	-	-	33,750
<u>25,000</u>	<u>11,717</u>	<u>57,812</u>	<u>206,870</u>	<u>487,966</u>
-	98	-	-	98
-	46,800	-	-	178,317
-	-	142,356	-	142,356
-	-	-	740,251	2,470,944
-	527,756	-	-	527,756
75,166	-	-	-	75,166
<u>75,166</u>	<u>574,556</u>	<u>142,356</u>	<u>740,251</u>	<u>3,394,539</u>
<u>\$ 100,166</u>	<u>\$ 586,371</u>	<u>\$ 200,168</u>	<u>\$ 947,121</u>	<u>\$ 3,882,603</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	<u>Capital Park</u>	<u>ED Revolving Loan</u>	<u>Revolving Loan</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	100,000	-	-
Charges for services	309,190	-	-
Investment income	70,957	5,058	7
Miscellaneous			
Contributions and donations	4,200	-	-
Other	-	-	-
Total revenues	<u>484,347</u>	<u>5,058</u>	<u>7</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Economic development	-	-	-
Culture and recreation	49,735	-	-
Capital outlay	454,462	-	95,000
Total expenditures	<u>504,197</u>	<u>-</u>	<u>95,000</u>
Net change in fund balances	(19,850)	5,058	(94,993)
Fund balances			
Beginning of year	<u>1,750,543</u>	<u>125,454</u>	<u>95,998</u>
End of year	<u>\$ 1,730,693</u>	<u>\$ 130,512</u>	<u>\$ 1,005</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Total</u>
\$ —	\$ 149,698	\$ —	\$ —	\$ 149,698
—	—	—	—	100,000
28,901	10,120	—	266,959	615,170
2,849	19,595	8,064	—	106,530
—	8,600	—	—	12,800
—	—	96,863	—	96,863
<u>31,750</u>	<u>188,013</u>	<u>104,927</u>	<u>266,959</u>	<u>1,081,061</u>
243	—	—	—	243
—	—	115,397	—	115,397
—	171,553	—	—	171,553
—	—	—	—	49,735
<u>20,020</u>	<u>—</u>	<u>29,081</u>	<u>206,284</u>	<u>804,847</u>
<u>20,263</u>	<u>171,553</u>	<u>144,478</u>	<u>206,284</u>	<u>1,141,775</u>
11,487	16,460	(39,551)	60,675	(60,714)
<u>63,679</u>	<u>558,096</u>	<u>181,907</u>	<u>679,576</u>	<u>3,455,253</u>
<u>\$ 75,166</u>	<u>\$ 574,556</u>	<u>\$ 142,356</u>	<u>\$ 740,251</u>	<u>\$ 3,394,539</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2019

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
Assets			
Cash and investments	\$ 15,528	\$ 823,388	\$ 3,337,679
Receivables			
Accounts	70,997	5,614	29,870
Special assessments			
Delinquent	-	-	398
Deferred	-	-	6,158
Due from other governmental agencies	-	3,204	-
Total assets	<u>\$ 86,525</u>	<u>\$ 832,206</u>	<u>\$ 3,374,105</u>
Liabilities			
Accounts and contracts payable	\$ -	\$ 4,163	\$ 3,647
Deposits payable	-	-	-
Total liabilities	<u>-</u>	<u>4,163</u>	<u>3,647</u>
Deferred inflows of resources			
Unavailable revenue from special assessments	-	-	6,556
Fund balances			
Restricted for tax increment	86,525	-	-
Assigned for capital improvements	-	828,043	3,363,902
Total fund balances	<u>86,525</u>	<u>828,043</u>	<u>3,363,902</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 86,525</u>	<u>\$ 832,206</u>	<u>\$ 3,374,105</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ 1,286,836	\$ 301,177	\$ 148,627	\$ 166,359
4,036	19,761	733	444
-	306	-	-
-	3,180	-	-
-	-	1,920	-
<u>\$ 1,290,872</u>	<u>\$ 324,424</u>	<u>\$ 151,280</u>	<u>\$ 166,803</u>
\$ -	\$ -	\$ 45,734	\$ 2,335
116,500	-	-	-
<u>116,500</u>	<u>-</u>	<u>45,734</u>	<u>2,335</u>
-	3,487	-	-
-	-	105,546	164,468
1,174,372	320,937	-	-
<u>1,174,372</u>	<u>320,937</u>	<u>105,546</u>	<u>164,468</u>
<u>\$ 1,290,872</u>	<u>\$ 324,424</u>	<u>\$ 151,280</u>	<u>\$ 166,803</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2019

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
Assets			
Cash and investments	\$ 16,723	\$ 530,457	\$ 5,938
Receivables			
Accounts	42	1,284	1
Special assessments			
Delinquent	-	-	-
Deferred	-	-	-
Due from other governmental agencies	-	-	-
Total assets	<u>\$ 16,765</u>	<u>\$ 531,741</u>	<u>\$ 5,939</u>
Liabilities			
Accounts and contracts payable	\$ 7,280	\$ 152,701	\$ 4,686
Deposits payable	-	-	-
Total liabilities	<u>7,280</u>	<u>152,701</u>	<u>4,686</u>
Deferred inflows of resources			
Unavailable revenue from special assessments	-	-	-
Fund balances			
Restricted for tax increment	9,485	379,040	1,253
Assigned for capital improvements	-	-	-
Total fund balances	<u>9,485</u>	<u>379,040</u>	<u>1,253</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,765</u>	<u>\$ 531,741</u>	<u>\$ 5,939</u>

<u>Tax Increment 1-5 Gateway Ctr</u>	<u>Revolving Park Equipment</u>	<u>Facility Management</u>	<u>Permanent Improvement Revolving</u>	<u>Total</u>
\$ 100,778	\$ 917,009	\$ 474,636	\$ 596,552	\$ 8,721,687
29	1,878	3,826	200	138,715
–	–	–	581	1,285
–	–	–	503,301	512,639
–	1,546	–	1,123	7,793
<u>\$ 100,807</u>	<u>\$ 920,433</u>	<u>\$ 478,462</u>	<u>\$ 1,101,757</u>	<u>\$ 9,382,119</u>
\$ 83,103	\$ 14,989	\$ –	\$ 33,248	\$ 351,886
–	–	–	–	116,500
<u>83,103</u>	<u>14,989</u>	<u>–</u>	<u>33,248</u>	<u>468,386</u>
–	–	–	503,882	513,925
17,704	–	–	–	764,021
–	905,444	478,462	564,627	7,635,787
<u>17,704</u>	<u>905,444</u>	<u>478,462</u>	<u>564,627</u>	<u>8,399,808</u>
<u>\$ 100,807</u>	<u>\$ 920,433</u>	<u>\$ 478,462</u>	<u>\$ 1,101,757</u>	<u>\$ 9,382,119</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
Revenues			
Taxes	\$ –	\$ 599,619	\$ –
Special assessments	–	–	4,738
Charges for services	10,673	–	1,147,660
Investment income	628	39,019	136,297
Total revenues	<u>11,301</u>	<u>638,638</u>	<u>1,288,695</u>
Expenditures			
Current			
Economic development	4,196	–	–
Capital outlay	9,967	1,175,387	84,124
Debt service			
Interest and other	–	5,856	–
Total expenditures	<u>14,163</u>	<u>1,181,243</u>	<u>84,124</u>
Excess (deficiency) of revenues over expenditures	(2,862)	(542,605)	1,204,571
Other financing sources (uses)			
Debt issued	–	215,000	–
Premium on debt issued	–	40,040	–
Transfers in	–	160,000	–
Transfers out	–	–	(735,480)
Sale of capital assets	–	8,020	–
Total other financing sources (uses)	<u>–</u>	<u>423,060</u>	<u>(735,480)</u>
Net change in fund balances	(2,862)	(119,545)	469,091
Fund balances			
Beginning of year	<u>89,387</u>	<u>947,588</u>	<u>2,894,811</u>
End of year	<u>\$ 86,525</u>	<u>\$ 828,043</u>	<u>\$ 3,363,902</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ -	\$ -	\$ 138,571	\$ 93,305
-	2,457	-	-
54,802	342,946	-	-
46,110	42,695	4,894	5,080
<u>100,912</u>	<u>388,098</u>	<u>143,465</u>	<u>98,385</u>
-	-	-	-
34,564	-	106,639	45,331
-	-	-	-
<u>34,564</u>	<u>-</u>	<u>106,639</u>	<u>45,331</u>
66,348	388,098	36,826	53,054
-	-	-	-
-	-	-	-
-	-	-	-
-	(1,007,804)	(29,432)	-
-	-	-	-
<u>-</u>	<u>(1,007,804)</u>	<u>(29,432)</u>	<u>-</u>
66,348	(619,706)	7,394	53,054
1,108,024	940,643	98,152	111,414
<u>\$ 1,174,372</u>	<u>\$ 320,937</u>	<u>\$ 105,546</u>	<u>\$ 164,468</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances (continued)
 Year Ended December 31, 2019

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
Revenues			
Taxes	\$ 16,177	\$ 339,335	\$ 10,412
Special assessments	-	-	-
Charges for services	-	-	-
Investment income	439	15,739	97
Total revenues	<u>16,616</u>	<u>355,074</u>	<u>10,509</u>
Expenditures			
Current			
Economic development	-	-	-
Capital outlay	15,589	306,391	10,381
Debt service			
Interest and other	-	-	-
Total expenditures	<u>15,589</u>	<u>306,391</u>	<u>10,381</u>
Excess (deficiency) of revenues over expenditures	1,027	48,683	128
Other financing sources (uses)			
Debt issued	-	-	-
Premium on debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,027	48,683	128
Fund balances			
Beginning of year	<u>8,458</u>	<u>330,357</u>	<u>1,125</u>
End of year	<u>\$ 9,485</u>	<u>\$ 379,040</u>	<u>\$ 1,253</u>

<u>Tax Increment 1-5 Gateway Ctr</u>	<u>Revolving Park Equipment</u>	<u>Facility Management</u>	<u>Permanent Improvement Revolving</u>	<u>Total</u>
\$ 174,956	\$ 289,269	\$ -	\$ 94,862	\$ 1,756,506
-	-	-	360,183	367,378
-	-	-	-	1,556,081
1,332	31,407	17,605	21,758	363,100
<u>176,288</u>	<u>320,676</u>	<u>17,605</u>	<u>476,803</u>	<u>4,043,065</u>
-	-	-	-	4,196
167,219	158,797	48,925	664,954	2,828,268
-	-	-	10,894	16,750
<u>167,219</u>	<u>158,797</u>	<u>48,925</u>	<u>675,848</u>	<u>2,849,214</u>
9,069	161,879	(31,320)	(199,045)	1,193,851
-	-	-	400,000	615,000
-	-	-	48,709	88,749
-	-	94,927	-	254,927
-	-	-	(186,933)	(1,959,649)
-	-	-	-	8,020
<u>-</u>	<u>-</u>	<u>94,927</u>	<u>261,776</u>	<u>(992,953)</u>
9,069	161,879	63,607	62,731	200,898
8,635	743,565	414,855	501,896	8,198,910
<u>\$ 17,704</u>	<u>\$ 905,444</u>	<u>\$ 478,462</u>	<u>\$ 564,627</u>	<u>\$ 8,399,808</u>

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2019

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

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 8,380,973	\$ 8,380,973	\$ 8,367,851	\$ (13,122)	\$ 7,988,125
Franchise taxes	615,000	615,000	639,783	24,783	630,932
Total taxes	8,995,973	8,995,973	9,007,634	11,661	8,619,057
Special assessments	5,000	5,000	140	(4,860)	4,691
Licenses and permits					
Business	82,680	82,680	81,320	(1,360)	85,535
Nonbusiness	559,438	559,438	910,776	351,338	909,078
Total licenses and permits	642,118	642,118	992,096	349,978	994,613
Intergovernmental					
Federal grants	17,000	17,000	1,821	(15,179)	7,504
State					
Road and bridge aid	377,209	377,209	378,807	1,598	376,210
Fire relief aid	227,000	227,000	273,282	46,282	238,189
Police aid	264,800	264,800	291,594	26,794	286,590
Other state aids	11,905	11,905	11,905	–	11,905
County and local					
Township fire and rescue aid	314,136	314,136	314,136	–	296,559
Liaison aid	49,769	49,769	52,680	2,911	48,793
Other local aids	–	–	1,000	1,000	–
Payment in lieu of taxes	600,000	600,000	600,000	–	570,000
Total intergovernmental	1,861,819	1,861,819	1,925,225	63,406	1,835,750
Charges for services					
Zoning fees	20,857	20,857	32,104	11,247	39,712
Plan check fees	277,528	277,528	382,837	105,309	390,830
Park fees	74,300	74,300	202,125	127,825	204,608
Project fees	263,000	263,000	73,290	(189,710)	235,030
Park program revenue	67,000	67,000	75,084	8,084	68,957
Tower leases	291,967	291,967	312,116	20,149	290,462
Park admission/rent	66,500	69,500	76,419	6,919	74,090
Facility rental	38,418	35,418	37,536	2,118	52,217
Reports	1,600	1,600	1,602	2	1,143
Total charges for services	1,101,170	1,101,170	1,193,113	91,943	1,357,049

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues (continued)					
Fines and forfeits	–	–	996	996	1,448
Investment income					
Interest earnings	87,400	87,400	152,608	65,208	133,312
Amortization – premium/discount	–	–	(8,690)	(8,690)	(20,302)
Unrealized gain (loss)	–	–	116,516	116,516	(58,293)
Total investment income	87,400	87,400	260,434	173,034	54,717
Miscellaneous					
Other	29,739	29,739	56,864	27,125	39,285
Contributions and donations	–	–	18,403	18,403	25,380
Developers’ agreements	158,000	158,000	119,021	(38,979)	260,974
Total miscellaneous	187,739	187,739	194,288	6,549	325,639
Total revenues	12,881,219	12,881,219	13,573,926	692,707	13,192,964
Expenditures					
Current expenditures					
General government					
Mayor and City Council					
Personal services	61,216	61,216	63,060	1,844	55,690
Supplies	300	300	311	11	522
Other services and charges	10,350	10,350	6,773	(3,577)	6,961
Total Mayor and City Council	71,866	71,866	70,144	(1,722)	63,173
Ordinance					
Other services and charges	7,500	7,500	4,025	(3,475)	7,091
Administration					
Personal services	371,664	372,714	464,153	91,439	364,416
Supplies	6,000	6,000	6,983	983	6,482
Other services and charges	59,271	59,271	57,863	(1,408)	71,265
Total administration	436,935	437,985	528,999	91,014	442,163
Boards and commissions					
Personal services	10,765	10,765	8,719	(2,046)	9,581
Other services and charges	1,000	1,000	–	(1,000)	231
Total boards and commissions	11,765	11,765	8,719	(3,046)	9,812

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
City Clerk					
Personal services	60,550	60,860	81,824	20,964	–
Supplies	–	–	179	179	–
Other services and charges	–	–	1,977	1,977	–
Total City Clerk	<u>60,550</u>	<u>60,860</u>	<u>83,980</u>	<u>23,120</u>	<u>–</u>
Election					
Personal services	–	–	–	–	18,103
Supplies	–	–	–	–	1,911
Other services and charges	–	–	–	–	543
Total election	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,557</u>
Finance					
Personal services	462,310	464,410	465,968	1,558	430,368
Supplies	1,650	1,650	485	(1,165)	1,251
Other services and charges	16,350	21,745	14,122	(7,623)	15,247
Total finance	<u>480,310</u>	<u>487,805</u>	<u>480,575</u>	<u>(7,230)</u>	<u>446,866</u>
Auditing					
Other services and charges	31,300	31,300	37,564	6,264	30,615
Assessing					
Other services and charges	202,600	202,600	202,418	(182)	194,716
Legal services					
Other services and charges	200,000	200,000	152,275	(47,725)	162,462
Personnel					
Personal services	144,380	145,000	154,461	9,461	141,197
Supplies	250	250	69	(181)	–
Other services and charges	44,200	44,200	32,588	(11,612)	53,159
Total personnel	<u>188,830</u>	<u>189,450</u>	<u>187,118</u>	<u>(2,332)</u>	<u>194,356</u>
Communications					
Personal services	104,947	105,257	106,378	1,121	99,485
Supplies	300	300	–	(300)	43
Other services and charges	23,050	23,050	20,183	(2,867)	17,406
Total communications	<u>128,297</u>	<u>128,607</u>	<u>126,561</u>	<u>(2,046)</u>	<u>116,934</u>

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2019

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

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
Community development					
Personal services	295,533	296,862	299,211	2,349	286,888
Supplies	2,500	2,500	1,530	(970)	940
Other services and charges	44,932	44,932	27,449	(17,483)	41,291
Total community development	342,965	344,294	328,190	(16,104)	329,119
Technology					
Personal services	149,360	149,855	150,439	584	145,204
Supplies	41,120	41,120	43,069	1,949	41,586
Other services and charges	129,370	129,370	134,730	5,360	101,136
Total technology	319,850	320,345	328,238	7,893	287,926
Buildings and plant					
Personal services	87,616	88,356	95,013	6,657	88,495
Supplies	8,000	8,000	8,388	388	7,484
Other services and charges	372,308	372,308	357,849	(14,459)	353,598
Total buildings and plant	467,924	468,664	461,250	(7,414)	449,577
Total general government	2,950,692	2,963,041	3,000,056	37,015	2,755,367
Public safety					
Police					
Personal services	4,126,665	4,160,395	4,126,264	(34,131)	3,818,418
Supplies	144,348	144,348	145,362	1,014	123,662
Other services and charges	315,868	326,358	230,468	(95,890)	230,513
Total police	4,586,881	4,631,101	4,502,094	(129,007)	4,172,593
Fire and rescue					
Personal services	665,413	666,153	691,220	25,067	673,258
Supplies	103,665	103,665	91,345	(12,320)	111,391
Other services and charges	163,818	163,818	154,190	(9,628)	176,265
Total fire and rescue	932,896	933,636	936,755	3,119	960,914
Building inspections					
Personal services	542,383	544,394	562,078	17,684	540,879
Supplies	17,800	17,800	14,713	(3,087)	7,745
Other services and charges	39,766	39,766	17,675	(22,091)	28,910
Total building inspections	599,949	601,960	594,466	(7,494)	577,534
Emergency management					
Other services and charges	11,935	11,935	9,947	(1,988)	9,083

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Public safety (continued)					
Animal control					
Other services and charges	26,448	26,448	28,200	1,752	26,400
Total public safety	6,158,109	6,205,080	6,071,462	(133,618)	5,746,524
Public works					
Engineering					
Personal services	297,946	299,406	303,932	4,526	281,211
Supplies	10,540	10,540	6,693	(3,847)	10,827
Other services and charges	65,358	65,358	37,671	(27,687)	59,086
Total engineering	373,844	375,304	348,296	(27,008)	351,124
Central garage					
Personal services	231,711	233,191	225,463	(7,728)	205,565
Supplies	182,410	182,410	144,447	(37,963)	151,544
Other services and charges	45,910	45,910	42,934	(2,976)	44,458
Total central garage	460,031	461,511	412,844	(48,667)	401,567
Streets					
Personal services	442,497	445,074	422,174	(22,900)	398,353
Supplies	309,072	309,072	332,140	23,068	253,454
Other services and charges	475,334	475,334	438,729	(36,605)	478,473
Total streets	1,226,903	1,229,480	1,193,043	(36,437)	1,130,280
Total public works	2,060,778	2,066,295	1,954,183	(112,112)	1,882,971
Culture and recreation					
Recreation					
Personal services	301,246	283,096	304,211	21,115	316,831
Supplies	80,552	80,552	103,307	22,755	92,716
Other services and charges	34,877	34,877	26,050	(8,827)	26,067
Total recreation	416,675	398,525	433,568	35,043	435,614
Parks					
Personal services	1,008,916	1,013,338	990,650	(22,688)	1,002,580
Supplies	158,125	158,125	143,591	(14,534)	159,200
Other services and charges	314,100	344,160	259,408	(84,752)	204,412
Total parks	1,481,141	1,515,623	1,393,649	(121,974)	1,366,192

CITY OF PRIOR LAKE

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance With Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Culture and recreation (continued)					
Libraries					
Supplies	5,000	5,000	10,449	5,449	3,615
Other services and charges	61,955	61,955	51,598	(10,357)	45,166
Total libraries	66,955	66,955	62,047	(4,908)	48,781
Total culture and recreation	1,964,771	1,981,103	1,889,264	(91,839)	1,850,587
Total current expenditures	13,134,350	13,215,519	12,914,965	(300,554)	12,235,449
Capital outlay					
Community development	5,400	5,400	–	(5,400)	–
Technology	74,800	93,690	74,206	(19,484)	56,283
Police	–	–	3,588	3,588	–
Fire	–	–	7,595	7,595	–
Streets	–	–	7,485	7,485	–
Buildings and plant	5,000	5,000	7,722	2,722	3,738
Total capital outlay	85,200	104,090	100,596	(3,494)	60,021
Total expenditures	13,219,550	13,319,609	13,015,561	(304,048)	12,295,470
Excess (deficiency) of revenues over expenditures	(338,331)	(438,390)	558,365	996,755	897,494
Other financing sources (uses)					
Transfers in	456,300	456,300	456,300	–	443,000
Transfers out	(334,769)	(334,769)	(334,769)	–	(819,651)
Sale of assets	–	–	9,877	9,877	3,323
Total other financing sources (uses)	121,531	121,531	131,408	9,877	(373,328)
Net change in fund balances	\$ (216,800)	\$ (316,859)	689,773	\$ 1,006,632	524,166
Fund balances					
Beginning of year			7,213,402		6,689,236
End of year			\$ 7,903,175		\$ 7,213,402

CITY OF PRIOR LAKE

Debt Service Fund
Balance Sheet by Account
as of December 31, 2019

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
Assets				
Cash and investments	\$ 16,788	\$ 147	\$ 1,312	\$ 28,927
Receivables				
Accounts	192	-	-	135
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Other (Green Acres)	-	-	-	-
Due from other governmental agencies	3,436	-	-	-
Total assets	<u>\$ 20,416</u>	<u>\$ 147</u>	<u>\$ 1,312</u>	<u>\$ 29,062</u>
Liabilities				
Accounts and contracts payable	\$ 178	\$ 89	\$ -	\$ 63
Deferred inflows of resources				
Unavailable revenue from special assessments	-	-	-	-
Fund balances				
Restricted for debt service	<u>20,238</u>	<u>58</u>	<u>1,312</u>	<u>28,999</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,416</u>	<u>\$ 147</u>	<u>\$ 1,312</u>	<u>\$ 29,062</u>

<u>Fish Point</u>	<u>Brooksville Hills II/Maple Glen 2nd</u>	<u>CR 12 and 2010 Reconstruction</u>	<u>Boudin Phase I</u>	<u>Boudin Phase II</u>	<u>Welcome, CR 12, Sunset</u>
\$ -	\$ -	\$ 36,373	\$ 116,315	\$ 179,009	\$ 458,690
-	-	2,352	1,498	1,065	3,978
-	-	-	-	-	12,274
30,112	-	29,018	60,169	63,203	355,200
451,350	-	-	-	-	-
-	-	640	1,173	1,452	982
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ 68,383</u>	<u>\$ 179,155</u>	<u>\$ 244,729</u>	<u>\$ 831,124</u>
\$ -	\$ -	\$ 1	\$ 63	\$ 90	\$ 173
481,462	-	29,018	60,169	63,203	367,474
-	-	39,364	118,923	181,436	463,477
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ 68,383</u>	<u>\$ 179,155</u>	<u>\$ 244,729</u>	<u>\$ 831,124</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Balance Sheet by Account (continued)
 as of December 31, 2019

	<u>CSAH 44, Crest, Maplewood</u>	<u>GESP Lease</u>	<u>Street Reconstruction 2015</u>	<u>TH 13, 150th Street 2015 Reconstruction</u>
Assets				
Cash and investments	\$ 273,268	\$ 2,491	\$ 375,302	\$ 411,776
Receivables				
Accounts	263	42	792	(59)
Special assessments				
Delinquent	-	-	14,417	-
Deferred	25,385	-	629,535	-
Other (Green Acres)	-	-	-	-
Due from other governmental agencies	<u>2,328</u>	<u>-</u>	<u>1,749</u>	<u>2,021</u>
Total assets	<u>\$ 301,244</u>	<u>\$ 2,533</u>	<u>\$ 1,021,795</u>	<u>\$ 413,738</u>
Liabilities				
Accounts and contracts payable	\$ 175	\$ -	\$ 13,749	\$ 175
Deferred inflows of resources				
Unavailable revenue from special assessments	25,385	-	643,952	-
Fund balances				
Restricted for debt service	<u>275,684</u>	<u>2,533</u>	<u>364,094</u>	<u>413,563</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 301,244</u>	<u>\$ 2,533</u>	<u>\$ 1,021,795</u>	<u>\$ 413,738</u>

<u>Manitou Road Improvement</u>	<u>TH 13, 150th Street 2016 Reconstruction</u>	<u>Equipment 2016</u>	<u>Cates, Balsam, Franklin Trail, Sycamore Trail, Maintenance Center Roof Improvements 2017</u>	<u>2017 Mill and Overlay Improvements</u>	<u>2018 Franklin, Huron, Woodside</u>
\$ 151,294	\$ 7,071	\$ 10,728	\$ 515,904	\$ 4,307	\$ 270,119
(114)	2	2	170	–	(93)
3,645	–	–	2,699	–	607
146,733	–	–	720,435	–	520,579
–	–	–	–	–	–
413	232	369	10,369	13	3,529
<u>\$ 301,971</u>	<u>\$ 7,305</u>	<u>\$ 11,099</u>	<u>\$ 1,249,577</u>	<u>\$ 4,320</u>	<u>\$ 794,741</u>
\$ 61	\$ 60	\$ 58	\$ 138	\$ 40	\$ 138
150,377	–	–	723,135	–	521,186
151,533	7,245	11,041	526,304	4,280	273,417
<u>\$ 301,971</u>	<u>\$ 7,305</u>	<u>\$ 11,099</u>	<u>\$ 1,249,577</u>	<u>\$ 4,320</u>	<u>\$ 794,741</u>

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CITY OF PRIOR LAKE

Debt Service Fund
 Balance Sheet by Account (continued)
 as of December 31, 2019

	2018 <u>Street Overlay</u>	2019 <u>Street Improvements</u>	<u>Total</u>
Assets			
Cash and investments	\$ 5,877	\$ 114,280	\$ 2,979,978
Receivables			
Accounts	-	(11)	10,214
Special assessments			
Delinquent	-	-	33,642
Deferred	-	11,730	2,592,099
Other (Green Acres)	-	-	451,350
Due from other governmental agencies	<u>31</u>	<u>-</u>	<u>28,737</u>
Total assets	<u>\$ 5,908</u>	<u>\$ 125,999</u>	<u>\$ 6,096,020</u>
Liabilities			
Accounts and contracts payable	\$ 37	\$ 174	\$ 15,462
Deferred inflows of resources			
Unavailable revenue from special assessments	-	11,730	3,077,091
Fund balances			
Restricted for debt service	<u>5,871</u>	<u>114,095</u>	<u>3,003,467</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,908</u>	<u>\$ 125,999</u>	<u>\$ 6,096,020</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account
 Year Ended December 31, 2019

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
Revenues				
Taxes	\$ 642,951	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Investment income	5,042	-	-	1,071
Total revenues	<u>647,993</u>	<u>-</u>	<u>-</u>	<u>1,071</u>
Expenditures				
Debt service				
Principal	485,000	150,000	385,000	25,000
Interest and other	158,528	84,769	161,025	4,407
Total expenditures	<u>643,528</u>	<u>234,769</u>	<u>546,025</u>	<u>29,407</u>
Excess (deficiency) of revenues over expenditures	4,465	(234,769)	(546,025)	(28,336)
Other financing sources (uses)				
Transfers in	-	234,769	545,275	29,432
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>234,769</u>	<u>545,275</u>	<u>29,432</u>
Net change in fund balances	4,465	-	(750)	1,096
Fund balances				
Beginning of year	<u>15,773</u>	<u>58</u>	<u>2,062</u>	<u>27,903</u>
End of year	<u>\$ 20,238</u>	<u>\$ 58</u>	<u>\$ 1,312</u>	<u>\$ 28,999</u>

<u>Fish Point</u>	<u>Brooksville Hills II/Maple Glen 2nd</u>	<u>CR 12 and 2010 Reconstruction</u>	<u>Boudin Phase I</u>	<u>Boudin Phase II</u>	<u>Welcome, CR 12, Sunset</u>
\$ -	\$ 126,482	\$ 113,600	\$ 132,338	\$ 175,670	\$ 183,868
-	18,351	12,536	41,712	46,799	61,016
-	3,276	2,799	8,547	10,150	22,634
-	<u>148,109</u>	<u>128,935</u>	<u>182,597</u>	<u>232,619</u>	<u>267,518</u>
-	175,000	130,000	220,000	230,000	325,000
-	6,125	8,685	16,039	20,988	37,950
-	<u>181,125</u>	<u>138,685</u>	<u>236,039</u>	<u>250,988</u>	<u>362,950</u>
-	(33,016)	(9,750)	(53,442)	(18,369)	(95,432)
-	-	-	-	-	-
-	<u>(13,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	<u>(13,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(46,180)	(9,750)	(53,442)	(18,369)	(95,432)
-	<u>46,180</u>	<u>49,114</u>	<u>172,365</u>	<u>199,805</u>	<u>558,909</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,364</u>	<u>\$ 118,923</u>	<u>\$ 181,436</u>	<u>\$ 463,477</u>

CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account (continued)
 Year Ended December 31, 2019

	CSAH 44, Crest, Maplewood	GESP Lease	Street Reconstruction 2015	TH 13, 150th Street 2015 Reconstruction
Revenues				
Taxes	\$ 199,191	\$ 236,470	\$ -	\$ 275,216
Special assessments	6,298	-	48,271	124,727
Investment income	13,947	2,053	20,677	13,437
Total revenues	<u>219,436</u>	<u>238,523</u>	<u>68,948</u>	<u>413,380</u>
Expenditures				
Debt service				
Principal	220,000	263,512	-	355,000
Interest and other	30,375	37,102	130,068	27,080
Total expenditures	<u>250,375</u>	<u>300,614</u>	<u>130,068</u>	<u>382,080</u>
Excess (deficiency) of revenues over expenditures	(30,939)	(62,091)	(61,120)	31,300
Other financing sources (uses)				
Transfers in	-	-	31,759	135,000
Transfers out	-	-	(135,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(103,241)</u>	<u>135,000</u>
Net change in fund balances	(30,939)	(62,091)	(164,361)	166,300
Fund balances				
Beginning of year	<u>306,623</u>	<u>64,624</u>	<u>528,455</u>	<u>247,263</u>
End of year	<u>\$ 275,684</u>	<u>\$ 2,533</u>	<u>\$ 364,094</u>	<u>\$ 413,563</u>

<u>Manitou Road Improvement</u>	<u>TH 13, 150th Street 2016 Reconstruction</u>	<u>Equipment 2016</u>	<u>Cates, Balsam, Franklin Trail, Sycamore Trail, Maintenance Center Roof Improvements 2017</u>	<u>2017 Mill and Overlay Improvements</u>	<u>2018 Franklin, Huron, Woodside</u>
\$ 77,295	\$ 43,332	\$ 69,097	\$ 318,548	\$ 2,342	\$ 660,518
26,077	–	–	187,637	–	92,438
7,489	495	833	19,270	90	14,776
<u>110,861</u>	<u>43,827</u>	<u>69,930</u>	<u>525,455</u>	<u>2,432</u>	<u>767,732</u>
110,000	35,000	60,000	405,000	70,000	465,000
17,659	5,758	6,058	78,001	5,838	303,338
<u>127,659</u>	<u>40,758</u>	<u>66,058</u>	<u>483,001</u>	<u>75,838</u>	<u>768,338</u>
(16,798)	3,069	3,872	42,454	(73,406)	(606)
–	–	–	101,988	75,800	–
–	–	–	–	–	–
<u>–</u>	<u>–</u>	<u>–</u>	<u>101,988</u>	<u>75,800</u>	<u>–</u>
(16,798)	3,069	3,872	144,442	2,394	(606)
168,331	4,176	7,169	381,862	1,886	274,023
<u>\$ 151,533</u>	<u>\$ 7,245</u>	<u>\$ 11,041</u>	<u>\$ 526,304</u>	<u>\$ 4,280</u>	<u>\$ 273,417</u>

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CITY OF PRIOR LAKE

Debt Service Fund
 Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account (continued)
 Year Ended December 31, 2019

	2018 <u>Street Overlay</u>	2019 <u>Street Improvements</u>	<u>Total</u>
Revenues			
Taxes	\$ 5,856	\$ -	\$ 3,262,774
Special assessments	-	34,048	699,910
Investment income	53	287	146,926
Total revenues	<u>5,909</u>	<u>34,335</u>	<u>4,109,610</u>
Expenditures			
Debt service			
Principal	85,000	-	4,193,512
Interest and other	26,171	175	1,166,139
Total expenditures	<u>111,171</u>	<u>175</u>	<u>5,359,651</u>
Excess (deficiency) of revenues over expenditures	(105,262)	34,160	(1,250,041)
Other financing sources (uses)			
Transfers in	111,133	79,935	1,345,091
Transfers out			(148,164)
Total other financing sources (uses)	<u>111,133</u>	<u>79,935</u>	<u>1,196,927</u>
Net change in fund balances	5,871	114,095	(53,114)
Fund balances			
Beginning of year	<u>-</u>	<u>-</u>	<u>3,056,581</u>
End of year	<u>\$ 5,871</u>	<u>\$ 114,095</u>	<u>\$ 3,003,467</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2019

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Assets			
Cash and investments	\$ 357,210	\$ 105,156	\$ 462,366
Receivables			
Accounts	<u>2,875</u>	<u>227</u>	<u>3,102</u>
Total assets	<u>\$ 360,085</u>	<u>\$ 105,383</u>	<u>\$ 465,468</u>
Current liabilities			
Current portion of compensated absences payable	\$ 362,283	\$ -	\$ 362,283
Noncurrent liabilities			
Compensated absences payable	<u>478,748</u>	<u>-</u>	<u>478,748</u>
Total liabilities	841,031	-	841,031
Net position (deficit)			
Unrestricted	<u>(480,946)</u>	<u>105,383</u>	<u>(375,563)</u>
Total liabilities and net position	<u>\$ 360,085</u>	<u>\$ 105,383</u>	<u>\$ 465,468</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Revenues, Expenses, and Changes in Net Position
 Year Ended December 31, 2019

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 31,310	\$ -	\$ 31,310
Operating expenses			
Personal services	<u>58,897</u>	<u>187,055</u>	<u>245,952</u>
Operating income (loss)	(27,587)	(187,055)	(214,642)
Nonoperating revenues			
Investment income	<u>11,777</u>	<u>9,656</u>	<u>21,433</u>
Income (loss) before transfers	(15,810)	(177,399)	(193,209)
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Change in net position	84,190	(177,399)	(93,209)
Net position			
Beginning of year	<u>(565,136)</u>	<u>282,782</u>	<u>(282,354)</u>
End of year	<u>\$ (480,946)</u>	<u>\$ 105,383</u>	<u>\$ (375,563)</u>

CITY OF PRIOR LAKE

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2019

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 31,456	\$ –	\$ 31,456
Cash payments to employees	(56,390)	(187,055)	(243,445)
Miscellaneous revenue	–	119	119
	<u> </u>	<u> </u>	<u> </u>
Net cash flows from operating activities	(24,934)	(186,936)	(211,870)
Cash flows from non-capital financing activities			
Transfers in	100,000	–	100,000
Cash flows from investing activities			
Interest received on cash and investments	11,777	9,656	21,433
	<u> </u>	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	86,843	(177,280)	(90,437)
Cash and cash equivalents, January 1	<u>270,367</u>	<u>282,436</u>	<u>552,803</u>
Cash and cash equivalents, December 31	<u>\$ 357,210</u>	<u>\$ 105,156</u>	<u>\$ 462,366</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (27,587)	\$ (187,055)	\$ (214,642)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
(Increase) decrease in assets			
Accounts receivable	146	119	265
Increase (decrease) in liabilities			
Compensated absences payable	2,507	–	2,507
	<u> </u>	<u> </u>	<u> </u>
Net cash flows from operating activities	<u>\$ (24,934)</u>	<u>\$ (186,936)</u>	<u>\$ (211,870)</u>

OTHER INFORMATION SECTION

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CITY OF PRIOR LAKE

Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 13,536,829	\$ 12,806,046	5.7%
Franchise taxes	639,783	630,932	1.4%
Special assessments	1,079,348	1,340,085	(19.5%)
Licenses and permits	992,096	994,613	(0.3%)
Intergovernmental	4,143,994	1,864,964	122.2%
Charges for services	3,364,364	4,401,009	(23.6%)
Fines and forfeits	996	1,448	(31.2%)
Interest on investments	1,073,558	312,320	243.7%
Miscellaneous	343,951	412,650	(16.6%)
	<u>\$ 25,174,919</u>	<u>\$ 22,764,067</u>	10.6%
Total revenues			
Per capita	\$ 938	\$ 869	7.9%
Expenditures			
Current			
General government	\$ 3,000,299	\$ 2,759,974	8.7%
Public safety	6,186,859	5,813,331	6.4%
Public works	1,954,183	1,882,971	3.8%
Culture and recreation	1,938,999	1,907,552	1.6%
Economic development	175,749	149,852	17.3%
Capital outlay	10,089,051	9,057,805	11.4%
Debt service			
Principal	4,193,512	3,953,016	6.1%
Interest and other charges	1,222,378	1,020,244	19.8%
	<u>\$ 28,761,030</u>	<u>\$ 26,544,745</u>	8.3%
Total disbursements			
Per capita	\$ 1,071	\$ 1,013	5.8%
	<u>\$ 37,030,000</u>	<u>\$ 38,895,000</u>	(4.8%)
Total long-term bonded indebtedness			
Per capita	\$ 1,379	\$ 1,484	(7.1%)
	<u>\$ 7,903,175</u>	<u>\$ 7,213,402</u>	9.6%
General Fund balance – December 31			
Per capita	\$ 294	\$ 275	6.9%

The purpose of this report is to provide a summary of financial information concerning the City to interested citizens. The complete financial statements may be examined at City Hall, 4646 Dakota Street Southeast, Prior Lake, Minnesota 55372. Questions about this report should be directed to the Finance Director at (952) 447-9841.

CITY OF PRIOR LAKE

Combined Schedule of Indebtedness
Year Ended December 31, 2019

	Interest Rate		Issue Date	Final Maturity Date
Bonded indebtedness				
General obligation special assessment bonds				
G.O. Improvement Bonds of 2009A	1.10–3.50	%	05/15/2009	12/15/2019
G.O. Improvement Bonds of 2010A	0.80–3.20		05/26/2010	12/15/2020
G.O. Improvement Bonds of 2011A	1.80–2.50		08/31/2011	12/15/2021
G.O. Improvement Bonds of 2011B	2.00–2.35		12/14/2011	12/15/2022
G.O. Improvement Bonds of 2013A	2.00–2.65		08/15/2013	12/15/2023
G.O. Improvement Bonds of 2014A	2.00–2.50		09/25/2014	12/15/2024
G.O. Improvement Bonds of 2015A	2.00–3.00		05/14/2015	12/15/2030
G.O. Improvement Bonds of 2015B	1.00–2.25		05/14/2015	12/15/2022
G.O. Improvement Bonds of 2016A	2.00		05/01/2016	12/15/2026
G.O. Improvement Bonds of 2017A	2.00–2.25		06/29/2017	12/15/2027
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
G.O. Improvement Bonds of 2019A	5.00		06/27/2019	12/15/2029
Total general obligation special assessment bonds				
General obligation tax increment bonds				
G.O. Tax Increment Refunding Bonds of 2011A	1.80–3.00		08/31/2011	12/15/2024
General obligation bonds				
G.O. Improvement Bonds of 2011B	2.00–3.40		12/14/2011	12/15/2031
G.O. Capital Improvement Refunding Bonds of 2012A	2.00–2.70		03/13/2012	12/15/2029
G.O. Street Reconstruction Bonds of 2015B	1.00–2.25		05/14/2015	12/15/2022
G.O. Street Reconstruction Bonds of 2016A	2.00		05/01/2016	12/15/2026
G.O. Improvement Bonds of 2017A	2.00–2.25		06/29/2017	12/15/2024
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
G.O. Improvement Bonds of 2019A	5.00		06/27/2019	12/15/2028
Total general obligation bonds				
General obligation revenue bonds				
G.O. Improvement Refunding Bonds of 2015A	1.00–3.00		05/14/2015	12/15/2031
G.O. Improvement Refunding Bonds of 2016A	2.00		05/01/2016	12/15/2022
G.O. Improvement Bonds of 2018A	4.00–5.00		08/15/2018	12/15/2028
Total general obligation revenue bonds				
Total bonded indebtedness				

Authorized	Outstanding January 1	Issued (Retired)	Outstanding December 31	Due in 2020	
				Principal	Interest
\$ 1,700,000	\$ 175,000	\$ (175,000)	\$ –	\$ –	\$ –
1,235,000	260,000	(130,000)	130,000	130,000	4,160
2,130,000	665,000	(220,000)	445,000	220,000	10,795
2,280,000	960,000	(230,000)	730,000	240,000	16,061
3,240,000	1,615,000	(325,000)	1,290,000	325,000	30,780
2,170,000	1,390,000	(220,000)	1,170,000	225,000	25,800
4,640,000	4,640,000	–	4,640,000	–	115,825
160,000	100,000	(25,000)	75,000	25,000	1,563
1,105,000	880,000	(110,000)	770,000	110,000	15,400
4,135,000	3,755,000	(425,000)	3,330,000	435,000	68,663
4,465,000	4,465,000	(430,000)	4,035,000	490,000	178,700
1,850,000	–	1,850,000	1,850,000	150,000	135,665
<u>29,110,000</u>	<u>18,905,000</u>	<u>(440,000)</u>	<u>18,465,000</u>	<u>2,350,000</u>	<u>603,412</u>
290,000	160,000	(25,000)	135,000	25,000	3,763
3,500,000	2,970,000	(150,000)	2,820,000	160,000	81,418
9,825,000	6,925,000	(485,000)	6,440,000	515,000	148,158
2,330,000	1,230,000	(330,000)	900,000	185,000	19,168
760,000	585,000	(95,000)	490,000	95,000	9,800
370,000	325,000	(50,000)	275,000	55,000	5,500
1,165,000	1,165,000	(120,000)	1,045,000	130,000	46,300
215,000	–	215,000	215,000	15,000	15,766
<u>18,165,000</u>	<u>13,200,000</u>	<u>(1,015,000)</u>	<u>12,185,000</u>	<u>1,155,000</u>	<u>326,110</u>
5,360,000	5,285,000	(75,000)	5,210,000	75,000	132,625
1,640,000	1,345,000	(310,000)	1,035,000	325,000	20,700
2,640,000	2,640,000	(210,000)	2,430,000	240,000	108,900
<u>9,640,000</u>	<u>9,270,000</u>	<u>(595,000)</u>	<u>8,675,000</u>	<u>640,000</u>	<u>262,225</u>
<u>\$ 57,205,000</u>	<u>\$ 41,535,000</u>	<u>\$ (2,075,000)</u>	<u>\$ 39,460,000</u>	<u>\$ 4,170,000</u>	<u>\$ 1,195,510</u>

CITY OF PRIOR LAKE

Bond Schedules
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation special assessment bonds				
\$1,235,000 General Obligation Improvement Bonds, Series 2010A	05/26/2010	3.50 %	12/15/2020	\$ 130,000
\$2,130,000 General Obligation Improvement Bonds, Series 2011A	08/31/2011	2.35 %	12/15/2020	220,000
		2.50	12/15/2021	<u>225,000</u>
Total				<u>445,000</u>
\$2,280,000 General Obligation Improvement Bonds, Series 2011B	12/14/2011	2.35 %	12/15/2020	240,000
		2.50	12/15/2021	245,000
		3.00	12/15/2022	245,000
Total				<u>730,000</u>
\$3,240,000 General Obligation Improvement Bonds, Series 2013A	08/15/2013	2.10 %	12/15/2020	325,000
		2.30	12/15/2021	325,000
		2.50	12/15/2022	320,000
		2.65	12/15/2023	<u>320,000</u>
Total				<u>1,290,000</u>
\$2,170,000 General Obligation Improvement Bonds, Series 2014A	09/25/2014	2.00 %	12/15/2020	225,000
		2.00	12/15/2021	230,000
		2.00	12/15/2022	235,000
		2.50	12/15/2023	235,000
		2.50	12/15/2024	<u>245,000</u>
Total				<u>1,170,000</u>

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation special assessment bonds (continued)				
\$4,640,000 General Obligation				
Improvement Bonds, Series 2015A	05/14/2015	2.00 %	12/15/2023	405,000
		2.00	12/15/2024	575,000
		2.00	12/15/2025	775,000
		2.50	12/15/2026	610,000
		2.50	12/15/2027	555,000
		3.00	12/15/2028	550,000
		3.00	12/15/2029	600,000
		3.00	12/15/2030	570,000
Total				4,640,000
\$160,000 General Obligation				
Improvement Bonds, Series 2015B	05/14/2015	1.90 %	12/15/2020	25,000
		2.10	12/15/2021	25,000
		2.25	12/15/2022	25,000
Total				75,000
\$1,105,000 General Obligation				
Improvement Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2020	110,000
		2.00	12/15/2021	110,000
		2.00	12/15/2022	110,000
		2.00	12/15/2023	110,000
		2.00	12/15/2024	110,000
		2.00	12/15/2025	110,000
		2.00	12/15/2026	110,000
Total				770,000
\$4,135,000 General Obligation				
Improvement Bonds, Series 2017A	06/29/2017	2.00 %	12/15/2020	435,000
		2.00	12/15/2021	445,000
		2.00	12/15/2022	450,000
		2.00	12/15/2023	385,000
		2.00	12/15/2024	390,000
		2.00	12/15/2025	400,000
		2.25	12/15/2026	410,000
		2.25	12/15/2027	415,000
Total				3,330,000

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation special assessment bonds (continued)				
\$4,465,000 General Obligation				
Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2020	490,000
		4.00	12/15/2021	455,000
		4.00	12/15/2022	475,000
		4.00	12/15/2023	490,000
		4.00	12/15/2024	395,000
		5.00	12/15/2025	410,000
		5.00	12/15/2026	420,000
		5.00	12/15/2027	440,000
		5.00	12/15/2028	460,000
Total				4,035,000
\$1,850,000 General Obligation				
Improvement Bonds, Series 2019A	06/27/2019	5.00 %	12/15/2020	150,000
		5.00	12/15/2021	205,000
		5.00	12/15/2022	210,000
		5.00	12/15/2023	220,000
		5.00	12/15/2024	235,000
		5.00	12/15/2025	150,000
		5.00	12/15/2026	160,000
		5.00	12/15/2027	165,000
		5.00	12/15/2028	175,000
		5.00	12/15/2029	180,000
Total				1,850,000
Total general obligation special assessment bonds				\$ 18,465,000
General obligation tax increment bonds				
\$290,000 Tax Increment Refunding				
Bonds, Series 2011A	08/31/2011	2.35 %	12/15/2020	25,000
		2.50	12/15/2021	25,000
		3.00	12/15/2022	25,000
		3.00	12/15/2023	30,000
		3.00	12/15/2024	30,000
Total general obligation tax increment bonds				\$ 135,000

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation bonds				
\$3,500,000 General Obligation Improvement Bonds, Series 2011B	12/14/2011	2.05 %	12/15/2020	160,000
		2.20	12/15/2021	175,000
		2.35	12/15/2022	180,000
		2.50	12/15/2023	195,000
		2.65	12/15/2024	215,000
		2.75	12/15/2025	230,000
		2.85	12/15/2026	240,000
		3.00	12/15/2027	255,000
		3.20	12/15/2028	270,000
		3.20	12/15/2029	285,000
		3.40	12/15/2030	300,000
		3.40	12/15/2031	315,000
Total			<u>2,820,000</u>	
\$9,825,000 General Obligation Capital Improvement Refunding Bonds of 2012A	03/13/2012	2.00 %	12/15/2020	515,000
		2.00	12/15/2021	545,000
		2.00	12/15/2022	565,000
		2.00	12/15/2023	590,000
		2.15	12/15/2024	615,000
		2.30	12/15/2025	645,000
		2.40	12/15/2026	685,000
		2.50	12/15/2027	720,000
		2.60	12/15/2028	760,000
		2.70	12/15/2029	800,000
Total			<u>6,440,000</u>	
\$2,330,000 General Obligation Street Reconstruction Bonds, Series 2015B	05/14/2015	1.90 %	12/15/2020	185,000
		2.10	12/15/2021	290,000
		2.25	12/15/2022	425,000
Total			<u>900,000</u>	
\$760,000 General Obligation Street Reconstruction Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2020	95,000
		2.00	12/15/2021	95,000
		2.00	12/15/2022	95,000
		2.00	12/15/2023	95,000
		2.00	12/15/2024	35,000
		2.00	12/15/2025	35,000
2.00	12/15/2026	40,000		
Total			<u>490,000</u>	

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation bonds (continued)				
\$370,000 General Obligation Improvement Bonds of 2017A	06/29/2017	2.00 %	12/15/2020	55,000
		2.00	12/15/2021	55,000
		2.00	12/15/2022	55,000
		2.00	12/15/2023	55,000
		2.00	12/15/2024	55,000
Total				<u>275,000</u>
\$1,165,000 General Obligation Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2020	130,000
		4.00	12/15/2021	110,000
		4.00	12/15/2022	110,000
		4.00	12/15/2023	120,000
		4.00	12/15/2024	125,000
		5.00	12/15/2025	125,000
		5.00	12/15/2026	130,000
		5.00	12/15/2027	130,000
		5.00	12/15/2028	65,000
Total				<u>1,045,000</u>
\$215,000 General Obligation Improvement Bonds, Series 2019A	06/27/2019	5.00 %	12/15/2020	15,000
		5.00	12/15/2021	20,000
		5.00	12/15/2022	20,000
		5.00	12/15/2023	25,000
		5.00	12/15/2024	25,000
		5.00	12/15/2025	25,000
		5.00	12/15/2026	25,000
		5.00	12/15/2027	30,000
		5.00	12/15/2028	30,000
Total				<u>215,000</u>
Total general obligation bonds				<u>\$ 12,185,000</u>

CITY OF PRIOR LAKE

Bond Schedules (continued)
December 31, 2019

	Issue Date	Interest Rate	Final Maturity Date	Principal
General obligation revenue bonds				
\$5,360,000 General Obligation Improvement Refunding Bonds, Series 2015A	05/14/2015	1.50 %	12/15/2020	75,000
		1.50	12/15/2021	75,000
		1.50	12/15/2022	75,000
		2.00	12/15/2023	480,000
		2.00	12/15/2024	495,000
		2.00	12/15/2025	515,000
		2.50	12/15/2026	530,000
		2.50	12/15/2027	550,000
		3.00	12/15/2028	570,000
		3.00	12/15/2029	590,000
		3.00	12/15/2030	615,000
		3.00	12/15/2031	<u>640,000</u>
Total				5,210,000
\$1,640,000 General Obligation Improvement Refunding Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2020	325,000
		2.00	12/15/2021	345,000
		2.00	12/15/2022	<u>365,000</u>
Total				1,035,000
\$2,640,000 General Obligation Improvement Bonds, Series 2018A	08/15/2018	4.00 %	12/15/2020	240,000
		4.00	12/15/2021	240,000
		4.00	12/15/2022	250,000
		4.00	12/15/2023	260,000
		4.00	12/15/2024	270,000
		5.00	12/15/2025	270,000
		5.00	12/15/2026	280,000
		5.00	12/15/2027	300,000
		5.00	12/15/2028	<u>320,000</u>
Total				<u>2,430,000</u>
Total general obligation revenue bonds				<u><u>\$ 8,675,000</u></u>

CITY OF PRIOR LAKE

Debt Service Requirements
December 31, 2019

Year	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,155,000	\$ 326,110	\$ 2,350,000	\$ 603,412
2021	1,290,000	295,048	2,265,000	488,202
2022	1,450,000	265,808	2,070,000	433,038
2023	1,080,000	232,316	2,165,000	373,318
2024	1,070,000	206,591	1,950,000	310,363
2025	1,060,000	179,620	1,845,000	255,188
2026	1,120,000	150,260	1,710,000	201,488
2027	1,135,000	118,430	1,575,000	145,813
2028	1,125,000	84,780	1,185,000	92,350
2029	1,085,000	51,630	780,000	44,100
2030	300,000	20,910	570,000	17,100
2031	315,000	10,710	—	—
Total	\$ 12,185,000	\$ 1,942,213	\$ 18,465,000	\$ 2,964,372

General Obligation Tax Increment Bonds		General Obligation Revenue Bonds	
Principal	Interest	Principal	Interest
\$ 25,000	\$ 3,763	\$ 640,000	\$ 262,225
25,000	3,175	660,000	245,000
25,000	2,550	690,000	227,375
30,000	1,800	740,000	208,950
30,000	900	765,000	188,950
–	–	785,000	168,250
–	–	810,000	144,450
–	–	850,000	117,200
–	–	890,000	88,450
–	–	590,000	55,350
–	–	615,000	37,650
–	–	640,000	19,200
<u>\$ 135,000</u>	<u>\$ 12,188</u>	<u>\$ 8,675,000</u>	<u>\$ 1,763,050</u>

CITY OF PRIOR LAKE

Tax Levies and Collections, and
Special Assessment Levies and Collections
Prior Ten Years

Tax Levies and Collections

Year	Total Levy	Collection of Current Year Levy	Percentage of Levy Collected	Collections of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2010	\$ 10,079,186	\$ 10,079,186	100.00 % *	\$ 235,004	\$ 9,999,856	99.21 %
2011	10,114,124	10,114,124	100.00 *	148,029	10,262,153	101.46
2012	9,414,124	9,414,124	100.00	132,726	9,546,850	101.41
2013	9,414,124	9,414,124	100.00	79,901	9,494,025	100.85
2014	9,448,918	9,448,918	100.00	86,180	9,535,098	100.91
2015	10,394,086	10,394,086	100.00	48,336	10,442,422	100.47
2016	11,078,361	11,034,353	99.60	68,478	11,102,831	100.22
2017	11,568,155	11,520,353	99.59	12,692	11,533,045	99.70
2018	12,077,538	11,994,082	99.31	61,762	12,055,844	99.82
2019	12,778,035	12,697,865	99.37	65,150	12,763,015	99.88

*Market value credit was withheld by the state of Minnesota

Special Assessment Levies and Collections

Year	Total Levy	Collection of Current Year Levy**	Percentage of Levy Collected	Collections of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2010	\$ 441,066	\$ 435,017	98.63 %	\$ 3,522	\$ 438,539	99.43 %
2011	347,795	345,533	99.35	6,113	351,646	101.11
2012	385,017	384,144	99.77	4,477	388,621	100.94
2013	393,347	391,132	99.44	5,606	396,738	100.86
2014	526,584	460,800	87.51	4,946	465,746	88.45
2015	354,412	365,481	103.12	11,655	377,136	106.41
2016	453,962	475,376	104.72	2,611	477,987	105.29
2017	504,420	474,936	94.15	7,331	482,267	95.61
2018	657,443	635,553	96.67	34,485	670,038	101.92
2019	728,099	699,440	96.06	13,554	712,994	97.93

**Excludes prepaid assessment collections

CITY OF PRIOR LAKE

Schedules of Market Value, Tax Levy, Tax Capacity Values,
Tax Capacity Rate, and Market Value Rate
Prior Three Years

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxable market value	\$ 3,030,449,778	\$ 3,261,128,200	\$ 3,447,986,900
Tax levy	\$ 11,568,155	\$ 12,077,538	\$ 12,778,035
Tax capacity, net of fiscal disparities, and tax increment	\$ 29,819,702	\$ 33,172,374	\$ 35,200,266
Tax capacity rate	32.685%	33.040%	33.020%
Market value rate	0.034%	0.007%	0.007%
EDA tax capacity rate	0.434%	0.390%	0.395%

CITY OF PRIOR LAKE

Key Financial Indicators
Prior Three Years

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Current population	26,053	26,207	26,849
Tax capacity, net of fiscal disparities, and tax increment	\$ 29,819,702	\$ 33,172,374	\$ 35,200,266
Percent of current property taxes collected	99.59%	99.31%	99.37%
City revenues per capita (governmental funds)	\$ 872	\$ 869	\$ 938
City expenditures per capita (governmental funds)	\$ 1,101	\$ 1,013	\$ 1,071
Ratio of bonded debt to tax capacity	114.30%	108.36%	103.88%
Bond rating	AA+ (S&P)	AA+ (S&P)	AA+ (S&P)

OTHER REQUIRED REPORTS

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PRINCIPALS

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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

To the City Council and Management
City of Prior Lake, 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 Prior Lake, 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 May 18, 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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 under *Government Auditing Standards*.

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
May 18, 2020



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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Prior Lake, 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 Prior Lake, 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 May 18, 2020.

MINNESOTA LEGAL COMPLIANCE

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 Minnesota Statutes § 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.

PURPOSE OF THIS REPORT

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
May 18, 2020

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