

CITY OF PRIOR LAKE  
SCOTT COUNTY, MINNESOTA

Financial Statements  
and Supplemental Information

Year Ended  
December 31, 2020

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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, 2020

**ELECTED**

		<u>Term Expires</u>
Kirt Briggs	Mayor	12/31/2024
Zach Braid	Councilmember	12/31/2024
Kevin Burkart	Councilmember	12/31/2024
Kimberly Churchill	Councilmember	12/31/2022
Annette Thompson	Councilmember	12/31/2022

**APPOINTED**

Jason Wedel	City Manager
Cathy Erickson	Finance Director
Kelly Horn	Assistant Finance Director
Jason Etter	Senior Accountant

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory 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 2019 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 18, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019 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 17, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 17, 2021

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## CITY OF PRIOR LAKE

### Management's Discussion and Analysis Fiscal Year Ended December 31, 2020

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, 2020.

#### 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 \$219,772,469 (*net position*). Of this amount, \$21,728,736 (*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 \$12,550,177.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,591,308, an increase of \$3,629,050 in comparison with the prior year.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$10,114,088, or 67.1 percent, of budgeted 2021 expenditures and transfers out of \$15,077,717. The total fund balance reflects an increase of \$2,210,913 from the prior year and an increase of \$2,570,625 from the amended budget. The original budget reflected use of fund balance for a transfer of funds to the City's Economic Development Authority (EDA) and a website upgrade, while an amendment for a health insurance adjustment and project carryover from 2019 resulted in a budgeted use of fund balance totaling \$359,712. The increase in fund balance is primarily due to unbudgeted intergovernmental revenues of \$1,951,401 arising from federal coronavirus relief funds and total expenditures and transfers out less than budget by \$531,515, due to cost-saving measures put in place to minimize the financial impact of the pandemic. The expenditure reduction measures were primarily in general government, public works, and culture and recreation functions, as service levels, programs, and employee personnel costs and training were reduced during the pandemic.
- Of the total fund balance of \$10,114,088, \$70,066 is nonspendable for prepaid items and \$260,704 is assigned for the 2021 budget, primarily for projects carried over from 2020 and anticipated police aid revenue shortfall. The unassigned amount of \$9,783,378 is 64.9 percent of budgeted 2021 expenditures and transfers out of \$15,077,717.

#### 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 \$219,772,469 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 85.2 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	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 34,530,060	\$ 35,015,361	\$ 11,523,717	\$ 10,461,812	\$ 46,053,777	\$ 45,477,173
Capital assets	153,595,893	152,157,816	71,516,241	71,130,568	225,112,134	223,288,384
Total assets	<u>\$ 188,125,953</u>	<u>\$ 187,173,177</u>	<u>\$ 83,039,958</u>	<u>\$ 81,592,380</u>	<u>\$ 271,165,911</u>	<u>\$ 268,765,557</u>
<b>Deferred outflows of resources</b>						
Pension and OPEB plan deferments	<u>\$ 2,526,494</u>	<u>\$ 3,544,708</u>	<u>\$ 157,600</u>	<u>\$ 111,916</u>	<u>\$ 2,684,094</u>	<u>\$ 3,656,624</u>
<b>Liabilities</b>						
Long-term liabilities	\$ 43,777,198	\$ 46,988,267	\$ 4,013,500	\$ 4,083,650	\$ 47,790,698	\$ 51,071,917
Other liabilities	3,044,317	7,256,426	256,354	1,846,603	3,300,671	9,103,029
Total liabilities	<u>\$ 46,821,515</u>	<u>\$ 54,244,693</u>	<u>\$ 4,269,854</u>	<u>\$ 5,930,253</u>	<u>\$ 51,091,369</u>	<u>\$ 60,174,946</u>
<b>Deferred inflows of resources</b>						
Pension and OPEB plan deferments	<u>\$ 2,900,602</u>	<u>\$ 4,787,351</u>	<u>\$ 85,565</u>	<u>\$ 237,592</u>	<u>\$ 2,986,167</u>	<u>\$ 5,024,943</u>
<b>Net position</b>						
Net investment in capital assets	\$ 118,120,401	\$ 112,279,178	\$ 69,058,053	\$ 68,398,856	\$ 187,178,454	\$ 180,678,034
Restricted	10,865,279	7,988,232	-	-	10,865,279	7,988,232
Unrestricted	11,944,650	11,418,431	9,784,086	7,137,595	21,728,736	18,556,026
Total net position	<u>\$ 140,930,330</u>	<u>\$ 131,685,841</u>	<u>\$ 78,842,139</u>	<u>\$ 75,536,451</u>	<u>\$ 219,772,469</u>	<u>\$ 207,222,292</u>

An additional portion of the City's net position (\$10,865,279, or 4.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$21,728,736, 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 2020. The Governmental Accounting Standards Board Statement No. 68 requires the City to recognize its proportionate share of pension benefit obligations.

The decline in other liabilities relates to the City having significant outstanding construction contracts payable in the prior year.

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, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,154,819	\$ 2,552,868	\$ 10,358,971	\$ 8,474,649	\$ 12,513,790	\$ 11,027,517
Operating grants and contributions	1,790,808	1,628,053	35,983	2,924	1,826,791	1,630,977
Capital grants and contributions	6,237,207	8,605,951	1,812,139	616,975	8,049,346	9,222,926
General revenues						
Property taxes and tax increments	14,395,457	13,537,055	–	–	14,395,457	13,537,055
Franchise taxes	670,917	639,783	–	–	670,917	639,783
Grants and contributions not restricted to specific programs	1,951,940	12,867	–	–	1,951,940	12,867
Investment income	790,517	1,094,987	298,677	290,301	1,089,194	1,385,288
Miscellaneous	149,353	113,489	35,230	31,435	184,583	144,924
Gain on sale of assets	38,913	–	–	–	38,913	–
Total revenues	<u>28,179,931</u>	<u>28,185,053</u>	<u>12,541,000</u>	<u>9,416,284</u>	<u>40,720,931</u>	<u>37,601,337</u>
<b>Expenses</b>						
General government	3,831,010	3,582,241	–	–	3,831,010	3,582,241
Public safety	7,025,367	6,490,001	–	–	7,025,367	6,490,001
Public works	6,024,512	5,700,624	–	–	6,024,512	5,700,624
Culture and recreation	2,127,013	2,462,914	–	–	2,127,013	2,462,914
Economic development	964,213	936,034	–	–	964,213	936,034
Interest on long-term debt	896,377	1,038,292	–	–	896,377	1,038,292
Water	–	–	3,281,173	3,026,239	3,281,173	3,026,239
Sewer	–	–	3,397,772	3,321,093	3,397,772	3,321,093
Water quality	–	–	623,317	611,654	623,317	611,654
Total expenses	<u>20,868,492</u>	<u>20,210,106</u>	<u>7,302,262</u>	<u>6,958,986</u>	<u>28,170,754</u>	<u>27,169,092</u>
Increase in net position before transfers	7,311,439	7,974,947	5,238,738	2,457,298	12,550,177	10,432,245
Transfers	<u>1,933,050</u>	<u>(5,380,609)</u>	<u>(1,933,050)</u>	<u>5,380,609</u>	<u>–</u>	<u>–</u>
Changes in net position	9,244,489	2,594,338	3,305,688	7,837,907	12,550,177	10,432,245
<b>Net position</b>						
Beginning 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>
End of year	<u>\$ 140,930,330</u>	<u>\$ 131,685,841</u>	<u>\$ 78,842,139</u>	<u>\$ 75,536,451</u>	<u>\$ 219,772,469</u>	<u>\$ 207,222,292</u>

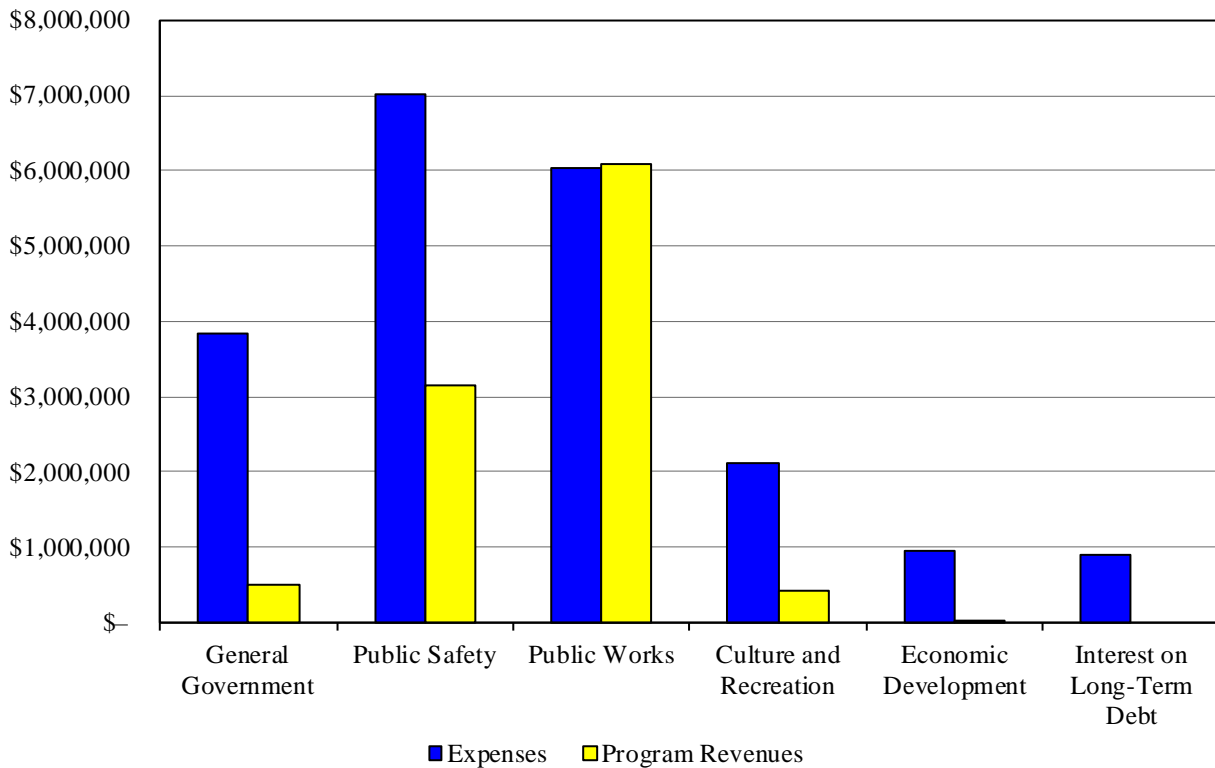
The significant increase in grants and contributions not restricted to specific programs relates to the receipt of federal Coronavirus Relief Fund aid in the current year.

**Governmental Activities** – Governmental activities increased the City’s net position by \$9,244,489. Key elements of this increase are seen in the table above. The increase is primarily due to net transfers in from the enterprise funds for operations and debt service and operating results of the governmental funds, including unbudgeted federal revenues and an increase in property taxes.

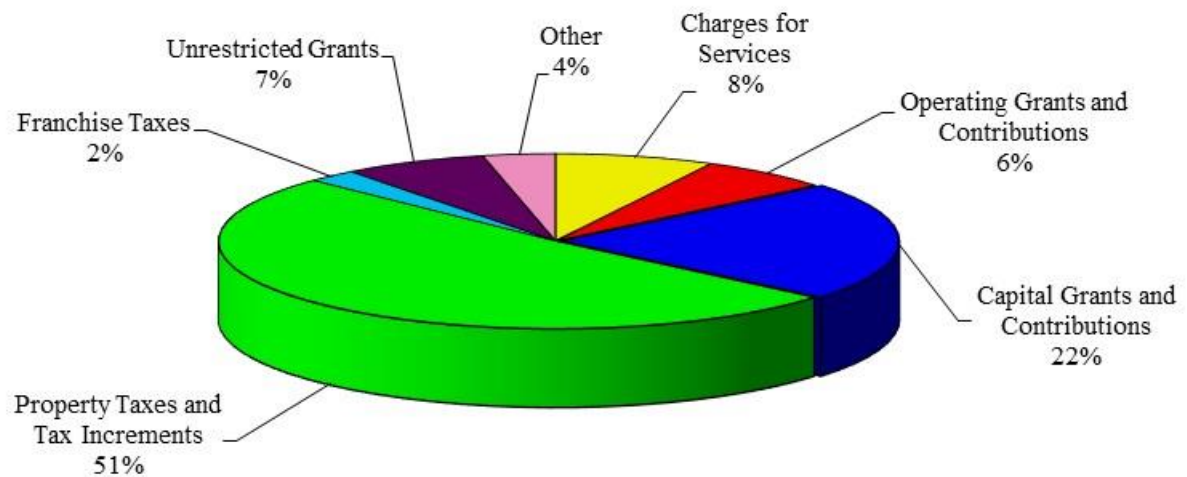
The business-type activities increased the City’s net position in total by \$3,305,688, mostly due to increased charges for services from rate and usage increases and capital contributions from developers.

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

Program revenues as compared to program expenses are consistent with the prior year for all categories except public works. Public works revenue will vary based on development and transportation projects. In 2020, the City received about \$3.5 million in easement donations from developers and about \$1.0 million in development program trunk/connection fees. Revenue also included about \$1.0 million in street project special assessments.

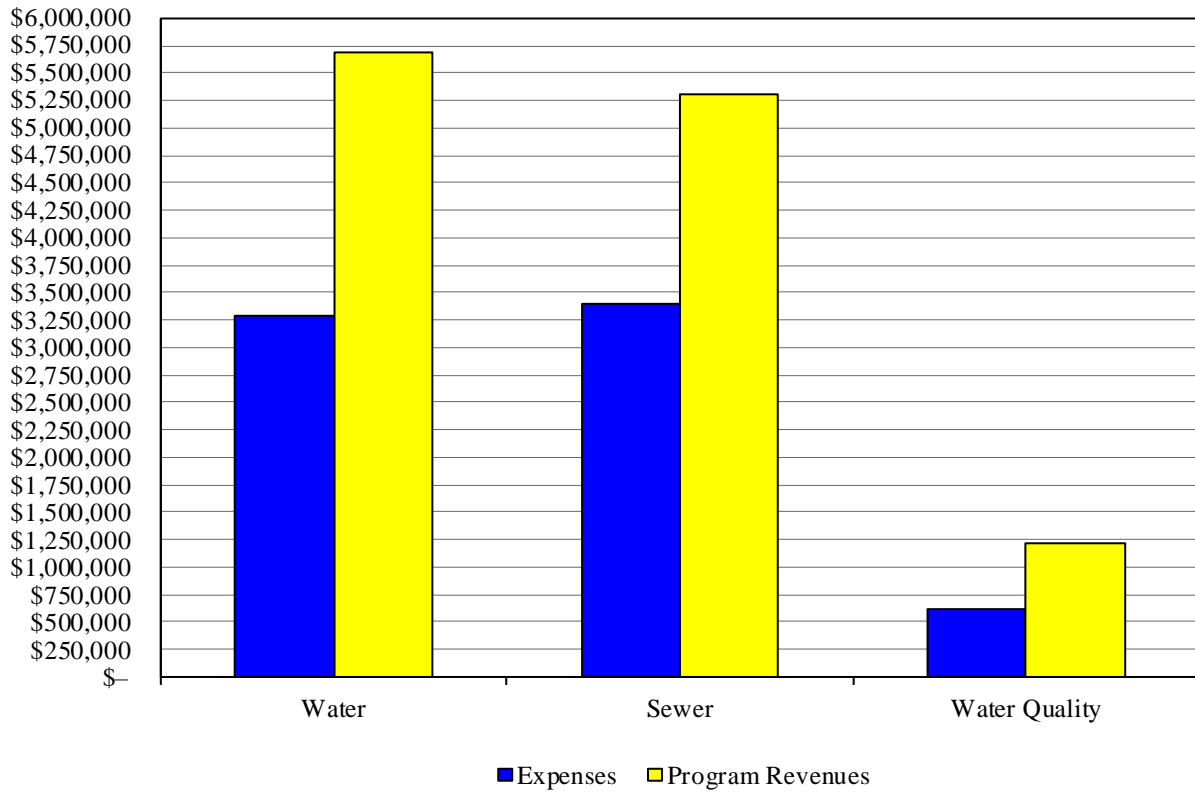


**Governmental Activities – Revenue by Program**

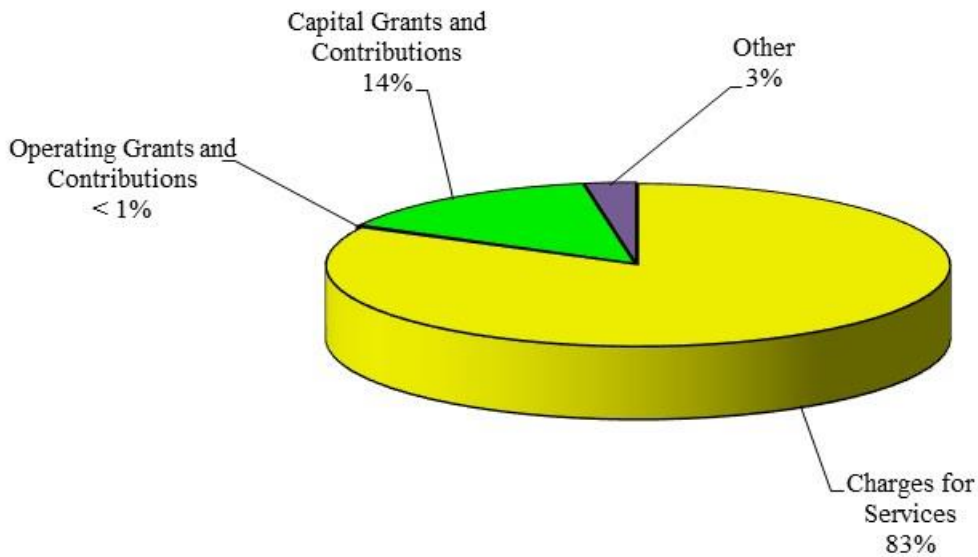


**Business-Type Activities** – Below are graphs showing the business-type activities program revenues and expense comparisons.

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 \$26,591,308, an increase of \$3,629,050 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 \$10,114,088. 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 67.1 percent of total 2021 General Fund budgeted expenditures and transfers out \$15,077,717. Of the total fund balance of \$10,114,088, \$70,006 is nonspendable for prepaids and \$260,704 is assigned for subsequent year's budgeted expenditures. This leaves an unassigned fund balance of the General Fund of \$9,783,378, or 64.9 percent, of total 2021 General Fund budgeted expenditures, and transfers out of \$15,077,717.

The total fund balance reflects an increase of \$2,210,913 from the prior year and an increase of \$2,570,625 from the amended budget. The amended budget reflected the use of fund balance of \$359,712 for a transfer of funds to the City's EDA, an upgrade of the City's website, and project carryover from 2019.

The Debt Service Fund balance decreased by \$169,276. The City manages cash flow in all debt service accounts and ensures adequate resources exist to fund future obligations.

The Construction Fund balance increased by \$232,539, due to timing differences between project financing inflows and capital outlays.

**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 original budget reflected use of fund balance of \$201,250 for a transfer of funds to the City's EDA and a website upgrade.

The City amends its budget at various points during the year. The General Fund budget was amended in 2020 to increase the spending of the fund balance by \$158,462 for a health insurance reserve adjustment, and carryforward of 2019 projects/spending for capital outlay, parks, and police.

Actual revenues were \$2,036,507 over budget in 2020, due primarily to unbudgeted federal coronavirus relief funds.

Actual expenditures were \$631,515 less than budget in 2020. Many factors impacted expenditures. The largest variance from budget was in parks being under budget by \$443,392, and recreation being under budget by \$135,285. This is primarily due to the City deciding to reduce service levels and not to hire seasonal parks staff during the summer of 2020, as a financial precaution related to pandemic uncertainties. Additionally, street maintenance and supplies expenditures were less than planned, primarily due to a reduction in activities related to the pandemic.

## 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, 2020 amounts to \$225,112,134 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 33,088,883	\$ 33,269,751	\$ –	\$ –	\$ 33,088,883	\$ 33,269,751
Utility access agreement	–	–	2,499,970	2,499,970	2,499,970	2,499,970
Easements	48,680,620	48,173,410	218,912	218,912	48,899,532	48,392,322
Construction in progress	4,738,038	3,820,430	81,203	3,070	4,819,241	3,823,500
Land improvements	996,343	1,067,742	39,581	43,968	1,035,924	1,111,710
Machinery and equipment	2,832,036	2,797,763	523,389	565,623	3,355,425	3,363,386
Vehicles	2,557,655	2,448,016	343,554	360,330	2,901,209	2,808,346
Infrastructure	60,702,318	60,580,704	67,809,632	67,438,695	128,511,950	128,019,399
Total	\$ 153,595,893	\$ 152,157,816	\$ 71,516,241	\$ 71,130,568	\$ 225,112,134	\$ 223,288,384

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 \$36,809,881. 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	
	2020	2019	2020	2019	2020	2019
G.O. bonds	\$ 11,030,000	\$ 12,185,000	\$ –	\$ –	\$ 11,030,000	\$ 12,185,000
G.O. special assessment bonds	16,115,000	18,465,000	–	–	16,115,000	18,465,000
G.O. tax increment bonds	110,000	135,000	–	–	110,000	135,000
G.O. revenue bonds	5,845,000	6,245,000	2,190,000	2,430,000	8,035,000	8,675,000
Premium (discount) on bonds payable	1,251,694	1,430,714	268,187	301,712	1,519,881	1,732,426
Energy loan payable	1,283,798	1,552,924	–	–	1,283,798	1,552,924
Compensated absences payable	948,807	841,031	215,032	200,014	1,163,839	1,041,045
Net OPEB obligation	709,417	654,579	155,471	141,945	864,888	796,524
Net pension liability – GERP and PEPFF	6,483,482	5,479,019	1,184,810	1,009,979	7,668,292	6,488,998
<b>Total</b>	<u>\$ 43,777,198</u>	<u>\$ 46,988,267</u>	<u>\$ 4,013,500</u>	<u>\$ 4,083,650</u>	<u>\$ 47,790,698</u>	<u>\$ 51,071,917</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 \$3,713,161,300, which calculates to a debt limit of \$111,394,839. 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 \$11,030,000 of general obligation debt outstanding, leaving a debt limit of \$100,364,839.

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 \$15,077,717 for expenditures and other financing uses for fiscal 2021, an increase of \$420,969, or 2.9 percent, from the 2020 original budget.
- The City is continuing to monitor and assess the revenue impacts related to the ongoing COVID-19 pandemic. To manage the impact of any projected revenue shortfall, planned expenditure reductions would be made. Similar to 2020, these cost-saving measures could include reductions in seasonal staffing, overtime, training, and reduced services for recreation, pavement management, city parks mowing, and streetscaping. 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 162 single-family residential permits issued in 2020 and a total of 563 single-family residential permits issued between 2018 and 2020. From 2005 to 2019, the City has consistently ranked in the top 25 in the Twin Cities metro area in total number of residential units and ranked in the top 15 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 one additional 98-unit multi-family residential building in 2021.

Total building permit valuation (new and addition/alteration) has remained consistent over the past five years (2016–2020), with an average of \$78.6 million each year.

Commercial building permit valuation (new and addition/alteration) has also remained consistent with an average annual valuation of \$14.2 million over the past four years (2017–2020).

- Continued staged development of land within the City and areas to be annexed under the orderly annexation agreement with Spring Lake Township will provide most of the City’s anticipated market value growth over the course of the next 10 to 15 years.

To meet the City’s water needs as it continues to grow, the City entered into a Water Purchase and Facility Expansion Agreement with the Shakopee Mdewakanton Sioux Community. 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.

### **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.

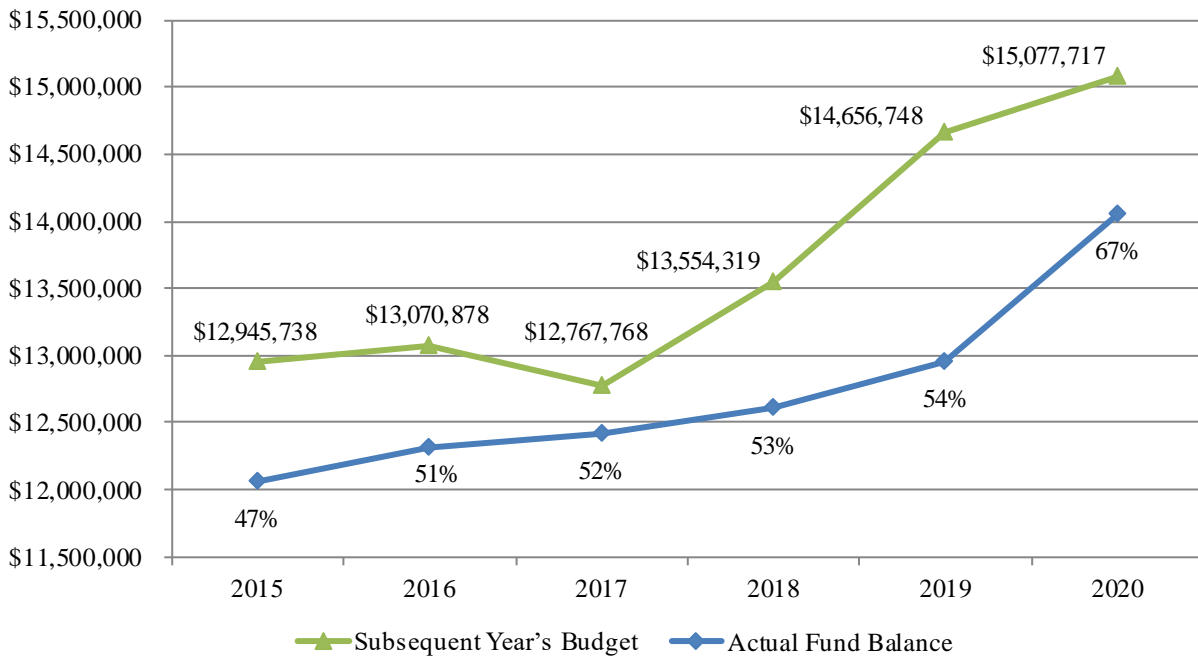
### Objective 1: Aa2 Bond Rating

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 Standard & Poors (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.



The increase in the 2020 reserve percentage is primarily due to unbudgeted intergovernmental revenues of \$1,951,401 arising from federal coronavirus relief funds.

### 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 data 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.

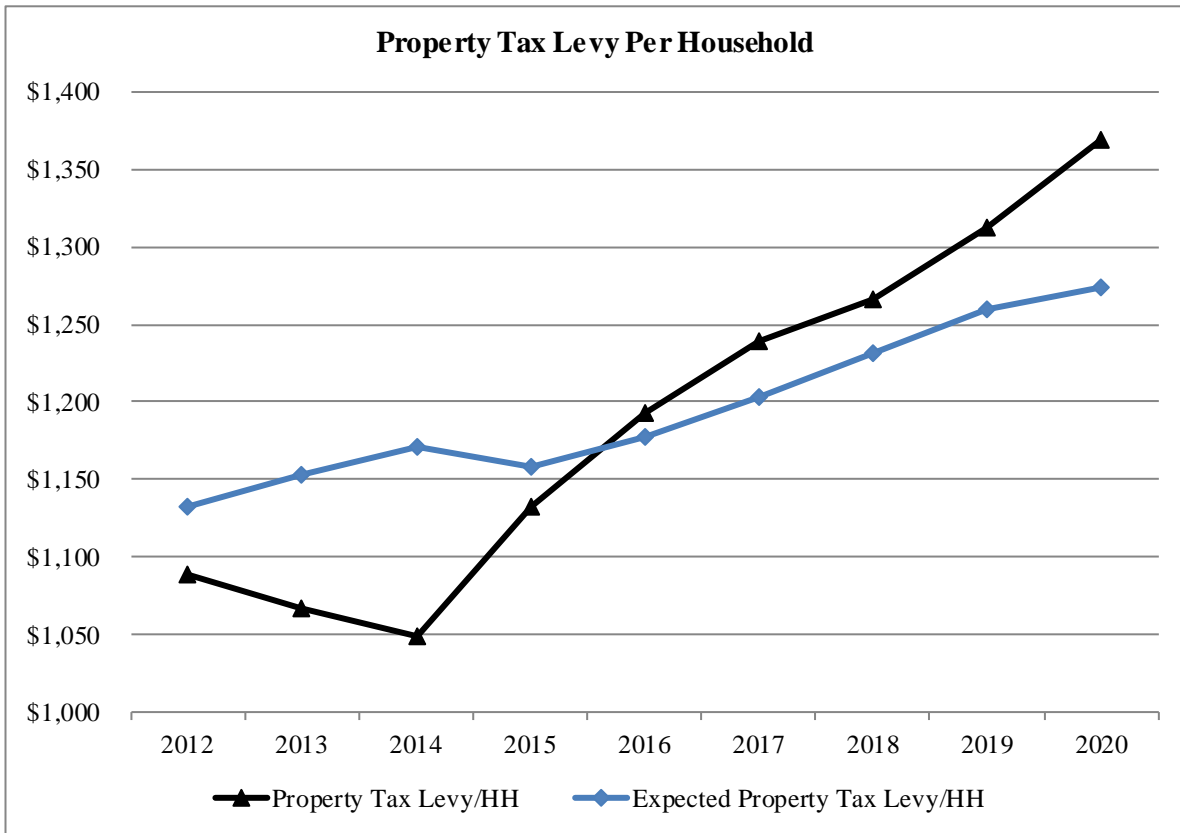
#### Average City Tax Capacity Rate

<u>Year</u>	<u>Seven-County Metro Area</u>	<u>City of Prior Lake</u>
2016	42.95	31.95
2017	N/A	32.69
2018	42.19	33.04
2019	41.43	33.02
2020	40.87	32.96

Source: League of Minnesota Cities

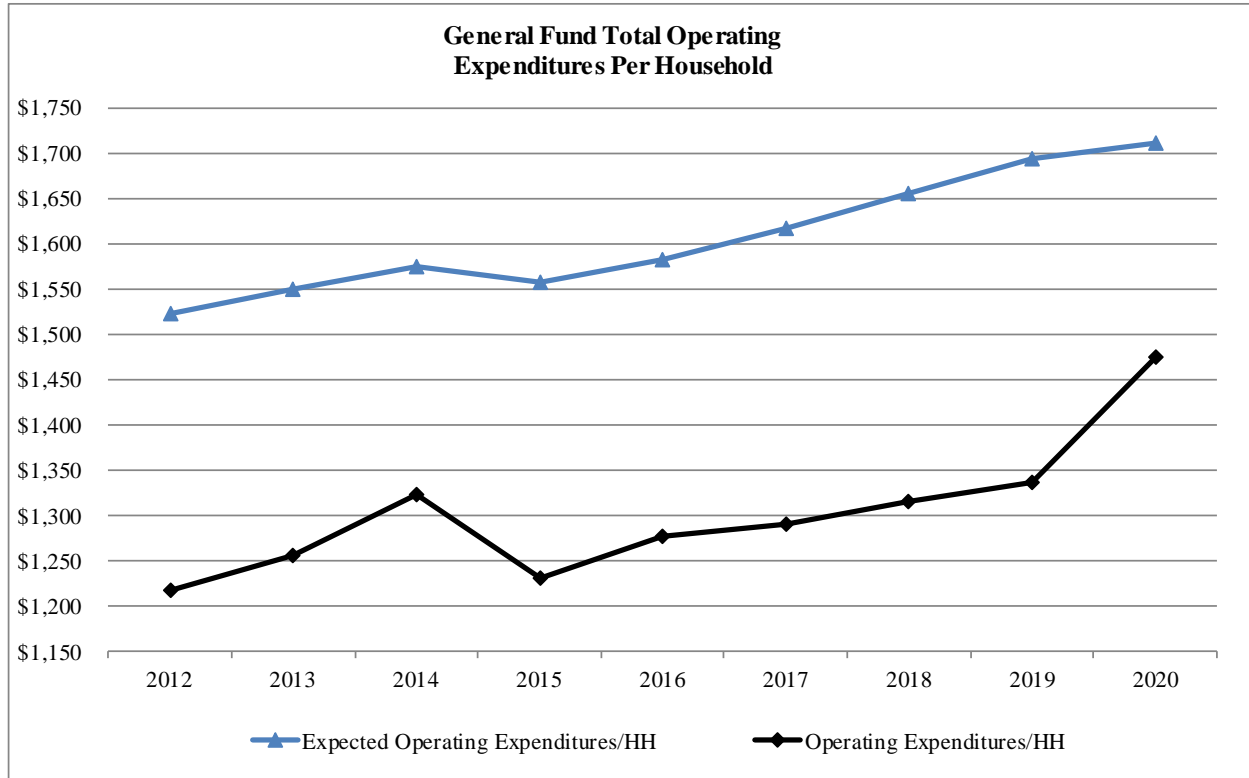
### Objective 4: Property Taxes/Household

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 and growth over time. This chart reflects community growth and the cost of inflation using the Minneapolis-St. Paul Consumer Price Index (CPI). The 2020 property tax levy included additional funding for EDA for economic initiatives, including downtown redevelopment and areas where costs are coming in higher than the inflation benchmark.



### 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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 29,074,935	\$ 10,179,826	\$ 39,254,761
Receivables			
Delinquent taxes	143,143	-	143,143
Accounts	382,277	1,250,306	1,632,583
Special assessments	3,043,786	80,274	3,124,060
Due from other governmental agencies	130,806	13,311	144,117
Restricted assets – temporarily restricted			
Cash and investments held in escrow	39,777	-	39,777
Prepaid items	70,006	-	70,006
Assets held for resale	417,268	-	417,268
Net pension asset – fire relief	1,228,062	-	1,228,062
Capital assets not being depreciated	86,507,541	2,800,085	89,307,626
Capital assets net of accumulated depreciation	<u>67,088,352</u>	<u>68,716,156</u>	<u>135,804,508</u>
<b>Total assets</b>	<b>188,125,953</b>	<b>83,039,958</b>	<b>271,165,911</b>
<b>Deferred outflows of resources</b>			
Pension plan deferments – GERS and PEPFF	2,175,791	151,125	2,326,916
Pension plan deferments – fire relief	321,157	-	321,157
OPEB plan deferments	29,546	6,475	36,021
<b>Total deferred outflows of resources</b>	<u>2,526,494</u>	<u>157,600</u>	<u>2,684,094</u>
<b>Total assets and deferred outflows of resources</b>	<u><b>\$ 190,652,447</b></u>	<u><b>\$ 83,197,558</b></u>	<u><b>\$ 273,850,005</b></u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 838,625	\$ 154,300	\$ 992,925
Accrued salaries and employee benefits payable	300,812	56,280	357,092
Due to other governmental agencies	120,833	40,136	160,969
Deposits payable	1,101,248	1,500	1,102,748
Accrued interest payable	40,762	4,138	44,900
Unearned revenue	642,037	-	642,037
Long-term liabilities			
Total OPEB liability – due in more than one year	709,417	155,471	864,888
Net pension liability – GERS and PEPFF – due in more than one year	6,483,482	1,184,810	7,668,292
Due within one year	4,635,850	344,059	4,979,909
Due in more than one year	<u>31,948,449</u>	<u>2,329,160</u>	<u>34,277,609</u>
<b>Total liabilities</b>	<u>46,821,515</u>	<u>4,269,854</u>	<u>51,091,369</u>
<b>Deferred inflows of resources</b>			
Pension plan deferments – GERS and PEPFF	2,293,766	63,099	2,356,865
Pension plan deferments – fire relief	504,326	-	504,326
OPEB plan deferments	102,510	22,466	124,976
<b>Total deferred inflows of resources</b>	<u>2,900,602</u>	<u>85,565</u>	<u>2,986,167</u>
<b>Net position</b>			
Net investment in capital assets	118,120,401	69,058,053	187,178,454
Restricted for debt service	5,333,333	-	5,333,333
Restricted for net pension asset	1,044,893	-	1,044,893
Restricted for capital improvements	2,268,074	-	2,268,074
Restricted for other purposes	2,218,979	-	2,218,979
Unrestricted	<u>11,944,650</u>	<u>9,784,086</u>	<u>21,728,736</u>
<b>Total net position</b>	<u>140,930,330</u>	<u>78,842,139</u>	<u>219,772,469</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u><b>\$ 190,652,447</b></u>	<u><b>\$ 83,197,558</b></u>	<u><b>\$ 273,850,005</b></u>

CITY OF PRIOR LAKE

Statement of Activities  
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 3,831,010	\$ 441,040	\$ 36,779	\$ 16,000
Public safety	7,025,367	1,381,810	1,744,065	28,117
Public works	6,024,512	68,701	824	6,015,365
Culture and recreation	2,127,013	248,451	9,021	177,725
Economic development	964,213	14,817	119	–
Interest on long-term debt	896,377	–	–	–
Total governmental activities	<u>20,868,492</u>	<u>2,154,819</u>	<u>1,790,808</u>	<u>6,237,207</u>
Business-type activities				
Water	3,281,173	4,784,064	18,935	889,695
Sewer	3,397,772	4,399,718	12,645	889,806
Water quality	623,317	1,175,189	4,403	32,638
Total business-type activities	<u>7,302,262</u>	<u>10,358,971</u>	<u>35,983</u>	<u>1,812,139</u>
Total	<u>\$ 28,170,754</u>	<u>\$ 12,513,790</u>	<u>\$ 1,826,791</u>	<u>\$ 8,049,346</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted  
to specific programs

Investment income

Miscellaneous

Gain on sale of assets

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
\$ (3,337,191)	\$ —	\$ (3,337,191)
(3,871,375)	—	(3,871,375)
60,378	—	60,378
(1,691,816)	—	(1,691,816)
(949,277)	—	(949,277)
(896,377)	—	(896,377)
(10,685,658)	—	(10,685,658)
—	2,411,521	2,411,521
—	1,904,397	1,904,397
—	588,913	588,913
—	4,904,831	4,904,831
(10,685,658)	4,904,831	(5,780,827)
10,279,490	—	10,279,490
3,316,380	—	3,316,380
799,587	—	799,587
670,917	—	670,917
1,951,940	—	1,951,940
790,517	298,677	1,089,194
149,353	35,230	184,583
38,913	—	38,913
1,933,050	(1,933,050)	—
19,930,147	(1,599,143)	18,331,004
9,244,489	3,305,688	12,550,177
131,685,841	75,536,451	207,222,292
\$ 140,930,330	\$ 78,842,139	\$ 219,772,469

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FUND FINANCIAL STATEMENTS

CITY OF PRIOR LAKE

Balance Sheet  
 Governmental Funds  
 as of December 31, 2020

	General	Debt Service	Construction
<b>Assets</b>			
Cash and investments	\$ 11,068,473	\$ 2,813,475	\$ 1,243,962
Cash and investments held in escrow	-	-	-
Prepaid items	70,006	-	-
Receivables			
Delinquent taxes	143,053	-	-
Accounts	222,709	9,442	7,193
Special assessments			
Delinquent	1,032	20,829	6,304
Deferred	22,523	2,092,724	56,490
Other (Green Acres)	-	451,350	-
Due from other governmental agencies	111,466	14,044	-
Assets held for resale	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 11,639,262</u>	<u>\$ 5,401,864</u>	<u>\$ 1,313,949</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 148,134	\$ 2,769	\$ 172,575
Accrued salaries and employee benefits payable	296,621	-	-
Due to other governmental agencies	120,270	-	-
Deposits payable	783,822	-	-
Unearned revenue	23,515	-	584,772
Total liabilities	<u>1,372,362</u>	<u>2,769</u>	<u>757,347</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue from delinquent taxes	143,053	-	-
Unavailable revenue from special assessments	9,759	2,564,904	62,794
Total deferred inflows of resources	<u>152,812</u>	<u>2,564,904</u>	<u>62,794</u>
<b>Fund balances</b>			
Nonspendable	70,006	-	-
Restricted	-	2,834,191	-
Assigned	260,704	-	493,808
Unassigned	9,783,378	-	-
Total fund balances	<u>10,114,088</u>	<u>2,834,191</u>	<u>493,808</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,639,262</u>	<u>\$ 5,401,864</u>	<u>\$ 1,313,949</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,418,059	\$ 28,543,969
39,777	39,777
–	70,006
90	143,143
139,899	379,243
1,544	29,709
390,990	2,562,727
–	451,350
5,296	130,806
417,268	417,268
<u>\$ 14,412,923</u>	<u>\$ 32,767,998</u>
\$ 515,147	\$ 838,625
4,191	300,812
563	120,833
317,426	1,101,248
33,750	642,037
<u>871,077</u>	<u>3,003,555</u>
90	143,143
<u>392,535</u>	<u>3,029,992</u>
392,625	3,173,135
–	70,006
4,486,963	7,321,154
8,662,258	9,416,770
–	9,783,378
<u>13,149,221</u>	<u>26,591,308</u>
<u>\$ 14,412,923</u>	<u>\$ 32,767,998</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, 2020

Total fund balances – governmental funds	\$ 26,591,308
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	225,596,425
Less accumulated depreciation	(72,000,532)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	1,228,062
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.	
Bond principal payable	(33,100,000)
Energy loan payable	(1,283,797)
Total OPEB liability	(709,417)
Net pension liability – GERP and PEPFF	(6,483,482)
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.	
	(1,251,694)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	
	(40,762)
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.	
	(414,808)
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	143,143
Special assessments	3,029,992
Deferred outflows of resources – GERP and PEPFF pension plans	2,175,791
Deferred outflows of resources – fire relief pension plan	321,157
Deferred outflows of resources – OPEB	29,546
Deferred inflows of resources – GERP and PEPFF pension plans	(2,293,766)
Deferred inflows of resources – fire relief pension plan	(504,326)
Deferred inflows of resources – OPEB	(102,510)
Total net position – governmental activities	<u>\$ 140,930,330</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2020

	General	Debt Service	Construction
<b>Revenues</b>			
Taxes	\$ 8,923,782	\$ 3,316,380	\$ -
Franchise taxes	670,917	-	-
Special assessments	5,457	616,627	7,824
Licenses and permits	900,601	-	-
Intergovernmental	4,092,040	-	747,941
Charges for services	1,081,405	-	-
Fines and forfeits	1,652	-	-
Investment income	186,820	117,528	73,155
Miscellaneous	159,331	-	-
Total revenues	<u>16,022,005</u>	<u>4,050,535</u>	<u>828,920</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	3,279,680	-	-
Public safety	6,693,505	-	-
Public works	1,999,412	-	-
Culture and recreation	1,628,772	-	-
Economic development	-	-	-
Capital outlay	144,308	-	1,028,446
<b>Debt service</b>			
Principal	-	4,199,126	-
Interest and other	-	1,125,331	-
Total expenditures	<u>13,745,677</u>	<u>5,324,457</u>	<u>1,028,446</u>
Excess (deficiency) of revenues over expenditures	2,276,328	(1,273,922)	(199,526)
<b>Other financing sources (uses)</b>			
Contributions from governmental activities	-	-	-
Transfers in	470,000	1,260,291	690,000
Transfers out	(538,018)	(155,645)	(257,935)
Sale of capital assets	2,603	-	-
Total other financing sources (uses)	<u>(65,415)</u>	<u>1,104,646</u>	<u>432,065</u>
Net change in fund balances	2,210,913	(169,276)	232,539
<b>Fund balances</b>			
Beginning of year	<u>7,903,175</u>	<u>3,003,467</u>	<u>261,269</u>
End of year	<u>\$ 10,114,088</u>	<u>\$ 2,834,191</u>	<u>\$ 493,808</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,126,031	\$ 14,366,193
–	670,917
306,455	936,363
–	900,601
–	4,839,981
1,235,583	2,316,988
–	1,652
396,110	773,613
91,183	250,514
<u>4,155,362</u>	<u>25,056,822</u>
4,724	3,284,404
12,896	6,706,401
–	1,999,412
11,152	1,639,924
170,354	170,354
3,210,304	4,383,058
–	4,199,126
–	1,125,331
<u>3,409,430</u>	<u>23,508,010</u>
745,932	1,548,812
180,868	180,868
733,185	3,153,476
(368,828)	(1,320,426)
63,717	66,320
<u>608,942</u>	<u>2,080,238</u>
1,354,874	3,629,050
11,794,347	22,962,258
<u>\$ 13,149,221</u>	<u>\$ 26,591,308</u>

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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, 2020

Total net change in fund balances – governmental funds	\$ 3,629,050
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	3,292,312
Capital contributions	3,236,717
Depreciation expense	(4,870,870)
Capital contributions from governmental funds	(180,868)
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.	
	(39,214)
Net pension assets are only recorded in the government-wide financial statements, as they are not current financial resources to governmental funds.	
	588,288
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	4,199,126
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	(54,838)
Net pension liability – GERS and PEPFF	(1,004,463)
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.	
	49,934
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.	
	179,020
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.	
	(39,244)
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	29,810
Special assessments	(638,806)
Deferred outflows of resources – GERS and PEPFF pension plans	(784,176)
Deferred outflows of resources – fire relief pension plan	(240,226)
Deferred outflows of resources – OPEB	6,188
Deferred inflows of resources – GERS and PEPFF pension plans	2,088,627
Deferred inflows of resources – fire relief pension plan	(216,747)
Deferred inflows of resources – OPEB	14,869
Change in net position – governmental activities	<u>\$ 9,244,489</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, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 8,953,156	\$ 8,953,156	\$ 8,923,782	\$ (29,374)
Franchise taxes	630,000	630,000	670,917	40,917
Special assessments	5,000	5,000	5,457	457
Licenses and permits	830,464	830,464	900,601	70,137
Intergovernmental	2,126,362	2,126,362	4,092,040	1,965,678
Charges for services	1,178,050	1,178,050	1,081,405	(96,645)
Fines and forfeits	–	–	1,652	1,652
Investment income	102,700	102,700	186,820	84,120
Miscellaneous	159,766	159,766	159,331	(435)
Total revenues	<u>13,985,498</u>	<u>13,985,498</u>	<u>16,022,005</u>	<u>2,036,507</u>
<b>Expenditures</b>				
Current				
General government	3,283,425	3,256,464	3,279,680	23,216
Public safety				
Police	4,848,910	4,855,232	5,011,955	156,723
Fire and rescue	1,038,440	1,038,440	995,854	(42,586)
Other	647,988	719,989	685,696	(34,293)
Public works	2,200,445	2,215,845	1,999,412	(216,433)
Culture and recreation	2,166,203	2,214,173	1,628,772	(585,401)
Capital outlay	68,319	77,049	144,308	67,259
Total expenditures	<u>14,253,730</u>	<u>14,377,192</u>	<u>13,745,677</u>	<u>(631,515)</u>
Excess (deficiency) of revenues over expenditures	(268,232)	(391,694)	2,276,328	2,668,022
<b>Other financing sources (uses)</b>				
Transfers in	470,000	470,000	470,000	–
Transfers out	(403,018)	(438,018)	(538,018)	(100,000)
Sale of assets	–	–	2,603	2,603
Total other financing sources (uses)	<u>66,982</u>	<u>31,982</u>	<u>(65,415)</u>	<u>(97,397)</u>
Net change in fund balances	<u>\$ (201,250)</u>	<u>\$ (359,712)</u>	2,210,913	<u>\$ 2,570,625</u>
<b>Fund balances</b>				
Beginning of year			<u>7,903,175</u>	
End of year			<u>\$ 10,114,088</u>	

CITY OF PRIOR LAKE

Statement of Net Position  
Proprietary Funds  
as of December 31, 2020

(With Partial Comparative Information as of December 31, 2019)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2020	2019	2020	2019
<b>Current assets</b>				
Cash and investments	\$ 5,604,480	\$ 5,775,364	\$ 2,635,109	\$ 1,992,299
Receivables				
Accounts	399,384	398,848	680,551	606,549
Special assessments				
Delinquent	39,318	49,624	39,318	49,624
Deferred	1,638	1,633	–	–
Due from other governmental agencies	2,645	2,231	124	180
Total current assets	<u>6,047,465</u>	<u>6,227,700</u>	<u>3,355,102</u>	<u>2,648,652</u>
<b>Noncurrent assets</b>				
Capital assets not being depreciated	2,602,388	2,575,270	12,118	–
Depreciable capital assets	52,086,842	51,188,338	35,179,400	34,182,869
Accumulated depreciation	(12,024,118)	(11,068,791)	(8,937,816)	(8,323,323)
Total noncurrent assets	<u>42,665,112</u>	<u>42,694,817</u>	<u>26,253,702</u>	<u>25,859,546</u>
Total assets	48,712,577	48,922,517	29,608,804	28,508,198
<b>Deferred outflows of resources</b>				
Pension plan deferments – GERF	60,771	45,893	62,894	43,362
OPEB plan deferments	2,770	2,247	2,569	1,989
Total deferred outflows of resources	<u>63,541</u>	<u>48,140</u>	<u>65,463</u>	<u>45,351</u>
Total assets and deferred outflows of resources	<u>\$ 48,776,118</u>	<u>\$ 48,970,657</u>	<u>\$ 29,674,267</u>	<u>\$ 28,553,549</u>
<b>Current liabilities</b>				
Accounts and contracts payable	\$ 41,492	\$ 382,909	\$ 33,916	\$ 129,511
Accrued salaries and employee benefits payable	22,533	46,270	25,143	42,453
Due to other governmental agencies	35,164	1,098,043	3,543	5,848
Deposits payable	1,500	4,500	–	–
Accrued interest payable	2,069	2,269	2,069	2,269
Current portion of compensated absences payable	50,014	39,289	39,592	18,618
Current portion of bonds payable	120,000	120,000	120,000	120,000
Total current liabilities	<u>272,772</u>	<u>1,693,280</u>	<u>224,263</u>	<u>318,699</u>
<b>Noncurrent liabilities</b>				
Compensated absences payable	78,845	77,991	26,962	46,211
Bonds premium (discount)	134,094	150,856	134,094	150,856
Bonds payable	975,000	1,095,000	975,000	1,095,000
Net pension liability – GERF	476,440	433,789	493,085	409,860
Total OPEB Liability	66,510	62,971	61,684	55,755
Total noncurrent liabilities	<u>1,730,889</u>	<u>1,820,607</u>	<u>1,690,825</u>	<u>1,757,682</u>
Total liabilities	2,003,661	3,513,887	1,915,088	2,076,381
<b>Deferred inflows of resources</b>				
Pension plan deferments – GERF	25,374	91,114	26,260	86,088
OPEB plan deferments	9,611	11,292	8,913	9,998
Total deferred inflows of resources	<u>34,985</u>	<u>102,406</u>	<u>35,173</u>	<u>96,086</u>
<b>Net position</b>				
Net investment in capital assets	41,436,018	41,328,961	25,024,608	24,493,690
Unrestricted	5,301,454	4,025,403	2,699,398	1,887,392
Total net position	<u>46,737,472</u>	<u>45,354,364</u>	<u>27,724,006</u>	<u>26,381,082</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 48,776,118</u>	<u>\$ 48,970,657</u>	<u>\$ 29,674,267</u>	<u>\$ 28,553,549</u>



Water Quality		Totals		Governmental Activities – Internal Service Fund
2020	2019	2020	2019	
\$ 1,940,237	\$ 1,404,780	\$ 10,179,826	\$ 9,172,443	\$ 530,966
170,371	168,353	1,250,306	1,173,750	3,034
–	–	78,636	99,248	–
–	–	1,638	1,633	–
10,542	12,327	13,311	14,738	–
<u>2,121,150</u>	<u>1,585,460</u>	<u>11,523,717</u>	<u>10,461,812</u>	<u>534,000</u>
185,579	146,682	2,800,085	2,721,952	–
3,302,231	3,203,355	90,568,473	88,574,562	–
(890,383)	(773,832)	(21,852,317)	(20,165,946)	–
<u>2,597,427</u>	<u>2,576,205</u>	<u>71,516,241</u>	<u>71,130,568</u>	<u>–</u>
4,718,577	4,161,665	83,039,958	81,592,380	534,000
27,460	17,597	151,125	106,852	–
1,136	828	6,475	5,064	–
<u>28,596</u>	<u>18,425</u>	<u>157,600</u>	<u>111,916</u>	<u>–</u>
<u>\$ 4,747,173</u>	<u>\$ 4,180,090</u>	<u>\$ 83,197,558</u>	<u>\$ 81,704,296</u>	<u>\$ 534,000</u>
\$ 78,892	\$ 114,352	\$ 154,300	\$ 626,772	\$ –
8,604	15,768	56,280	104,491	–
1,429	2,411	40,136	1,106,302	–
–	–	1,500	4,500	–
–	–	4,138	4,538	–
14,453	8,483	104,059	66,390	360,991
–	–	240,000	240,000	–
<u>103,378</u>	<u>141,014</u>	<u>600,413</u>	<u>2,152,993</u>	<u>360,991</u>
5,165	9,422	110,972	133,624	587,817
–	–	268,188	301,712	–
–	–	1,950,000	2,190,000	–
215,285	166,330	1,184,810	1,009,979	–
27,277	23,219	155,471	141,945	–
<u>247,727</u>	<u>198,971</u>	<u>3,669,441</u>	<u>3,777,260</u>	<u>587,817</u>
351,105	339,985	4,269,854	5,930,253	948,808
11,465	34,936	63,099	212,138	–
3,942	4,164	22,466	25,454	–
<u>15,407</u>	<u>39,100</u>	<u>85,565</u>	<u>237,592</u>	<u>–</u>
2,597,427	2,576,205	69,058,053	68,398,856	–
1,783,234	1,224,800	9,784,086	7,137,595	(414,808)
<u>4,380,661</u>	<u>3,801,005</u>	<u>78,842,139</u>	<u>75,536,451</u>	<u>(414,808)</u>
<u>\$ 4,747,173</u>	<u>\$ 4,180,090</u>	<u>\$ 83,197,558</u>	<u>\$ 81,704,296</u>	<u>\$ 534,000</u>

CITY OF PRIOR LAKE

Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds

Year Ended December 31, 2020

(With Partial Comparative Information for the Year Ended December 31, 2019)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2020	2019	2020	2019
Operating revenues				
Sewer charges	\$ –	\$ –	\$ 4,034,543	\$ 3,341,491
Water charges	4,273,809	3,338,696	–	–
Storm water charges	–	–	–	–
Capital facility charges	383,331	280,532	365,175	280,542
Meter sales	126,924	153,312	–	–
Charges for services	–	19,781	–	–
Total operating revenues	<u>4,784,064</u>	<u>3,792,321</u>	<u>4,399,718</u>	<u>3,622,033</u>
Operating expenses				
Personal services	761,721	805,403	801,367	813,914
Supplies	355,088	321,455	47,654	44,624
Repairs and maintenance	402,654	234,088	35,494	123,317
Other services and charges	153,624	166,945	117,411	111,946
Insurance	7,210	36,733	25,998	36,733
Utilities	596,704	530,893	59,732	42,736
Disposal charges	–	–	1,658,137	1,544,728
Miscellaneous	11,355	–	–	–
Depreciation	955,327	888,449	614,493	563,826
Total operating expenses	<u>3,243,683</u>	<u>2,983,966</u>	<u>3,360,286</u>	<u>3,281,824</u>
Operating income (loss)	1,540,381	808,355	1,039,432	340,209
Nonoperating revenues (expenses)				
Intergovernmental	18,935	1,583	12,645	954
Investment income	172,842	184,077	70,637	68,827
Gain (loss) on sale of capital assets	–	(3,000)	–	–
Interest expense	(37,490)	(39,273)	(37,486)	(39,269)
Miscellaneous	13,905	18,166	–	942
Total nonoperating revenues	<u>168,192</u>	<u>161,553</u>	<u>45,796</u>	<u>31,454</u>
Income (loss) before contributions and transfers	1,708,573	969,908	1,085,228	371,663
Special assessments	3,391	6,614	–	–
Capital grants	–	–	2,601	(3,734)
Capital contributions from other funds	–	2,537,191	–	1,709,980
Capital contributions from developers	886,304	285,509	887,205	310,986
Transfers in	–	1,873,151	–	306,280
Transfers out	(1,215,160)	(995,495)	(632,110)	(527,147)
Change in net position	<u>1,383,108</u>	<u>4,676,878</u>	<u>1,342,924</u>	<u>2,168,028</u>
Net position				
Beginning of year	<u>45,354,364</u>	<u>40,677,486</u>	<u>26,381,082</u>	<u>24,213,054</u>
End of year	<u>\$ 46,737,472</u>	<u>\$ 45,354,364</u>	<u>\$ 27,724,006</u>	<u>\$ 26,381,082</u>

See notes to basic financial statements

Water Quality		Totals		Governmental Activities – Internal Service Fund
2020	2019	2020	2019	
\$ –	\$ –	\$ 4,034,543	\$ 3,341,491	\$ –
–	–	4,273,809	3,338,696	–
1,175,189	1,060,295	1,175,189	1,060,295	–
–	–	748,506	561,074	–
–	–	126,924	153,312	–
–	–	–	19,781	32,368
1,175,189	1,060,295	10,358,971	8,474,649	32,368
343,057	304,445	1,906,145	1,923,762	212,562
28,408	18,441	431,150	384,520	–
74,117	115,319	512,265	472,724	–
61,184	39,022	332,219	317,913	–
–	–	33,208	73,466	–
–	–	656,436	573,629	–
–	–	1,658,137	1,544,728	–
–	–	11,355	–	–
116,551	134,427	1,686,371	1,586,702	–
623,317	611,654	7,227,286	6,877,444	212,562
551,872	448,641	3,131,685	1,597,205	(180,194)
4,403	387	35,983	2,924	–
55,198	37,397	298,677	290,301	16,904
–	–	–	(3,000)	–
–	–	(74,976)	(78,542)	–
21,325	12,327	35,230	31,435	24,046
80,926	50,111	294,914	243,118	40,950
632,798	498,752	3,426,599	1,840,323	(139,244)
–	–	3,391	6,614	–
–	–	2,601	(3,734)	–
–	335,892	–	4,583,063	–
32,638	17,600	1,806,147	614,095	–
–	267,517	–	2,446,948	100,000
(85,780)	(126,760)	(1,933,050)	(1,649,402)	–
579,656	993,001	3,305,688	7,837,907	(39,244)
3,801,005	2,808,004	75,536,451	67,698,544	(375,564)
\$ 4,380,661	\$ 3,801,005	\$ 78,842,139	\$ 75,536,451	\$ (414,808)

CITY OF PRIOR LAKE

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2020

(With Partial Comparative Information for the Year Ended December 31, 2019)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2020	2019	2020	2019
Cash flows from operating activities				
Cash received from customers	\$ 4,790,415	\$ 3,808,967	\$ 4,336,078	\$ 3,603,484
Cash payments to suppliers	(2,930,931)	(2,299,532)	(2,042,326)	(1,948,990)
Cash payments to employees	(810,511)	(750,358)	(808,823)	(722,460)
Miscellaneous/other revenue	13,905	18,166	–	942
Net cash flows from operating activities	1,062,878	777,243	1,484,929	932,976
Cash flows from noncapital financing activities				
Intergovernmental revenue	18,935	1,583	12,645	954
Transfers in	–	1,873,151	–	306,280
Transfers (out)	(1,215,160)	(995,495)	(632,110)	(527,147)
Net cash flows from noncapital financing activities	(1,196,225)	879,239	(619,465)	(219,913)
Cash flows from capital and related financing activities				
Special assessments	3,391	6,614	–	–
Capital grants	–	–	2,601	(3,734)
Acquisition of capital assets	(39,318)	(2,360,036)	(121,444)	(418,887)
Payments on bonds payable	(120,000)	(105,000)	(120,000)	(105,000)
Interest paid on long-term debt	(54,452)	(78,204)	(54,448)	(78,200)
Net cash flows from capital and related financing activities	(210,379)	(2,536,626)	(293,291)	(605,821)
Cash flows from investing activities				
Interest received	172,842	184,077	70,637	68,827
Net increase (decrease) in cash and cash equivalents	(170,884)	(696,067)	642,810	176,069
Cash and cash equivalents, January 1	5,775,364	6,471,431	1,992,299	1,816,230
Cash and cash equivalents, December 31	\$ 5,604,480	\$ 5,775,364	\$ 2,635,109	\$ 1,992,299

Water Quality		Totals		Governmental Activities – Internal Service Fund
2020	2019	2020	2019	
\$ 1,174,956	\$ 1,032,454	\$ 10,301,449	\$ 8,444,905	\$ 32,492
(200,151)	(236,456)	(5,173,408)	(4,484,978)	–
(329,359)	(306,773)	(1,948,693)	(1,779,591)	(104,785)
21,325	12,327	35,230	31,435	23,989
666,771	501,552	3,214,578	2,211,771	(48,304)
4,403	387	35,983	2,924	–
–	267,517	–	2,446,948	100,000
(85,780)	(126,760)	(1,933,050)	(1,649,402)	–
(81,377)	141,144	(1,897,067)	800,470	100,000
–	–	3,391	6,614	–
–	–	2,601	(3,734)	–
(105,135)	(71,569)	(265,897)	(2,850,492)	–
–	–	(240,000)	(210,000)	–
–	–	(108,900)	(156,404)	–
(105,135)	(71,569)	(608,805)	(3,214,016)	–
55,198	37,397	298,677	290,301	16,904
535,457	608,524	1,007,383	88,526	68,600
1,404,780	796,256	9,172,443	9,083,917	462,366
<u>\$ 1,940,237</u>	<u>\$ 1,404,780</u>	<u>\$ 10,179,826</u>	<u>\$ 9,172,443</u>	<u>\$ 530,966</u>

CITY OF PRIOR LAKE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended December 31, 2020

(With Partial Comparative Information for the Year Ended December 31, 2019)

	Business-Type Activities – Enterprise Funds			
	Water		Sewer	
	2020	2019	2020	2019
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 1,540,381	\$ 808,355	\$ 1,039,432	\$ 340,209
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	955,327	888,449	614,493	563,826
Miscellaneous / other revenue	13,905	18,166	–	942
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	(536)	28,058	(74,002)	(7,348)
Special assessments receivable	10,301	(10,095)	10,306	(11,193)
Due from other governments	(414)	(1,317)	56	(8)
Deferred outflows of resources – GERF	(14,878)	31,808	(19,532)	21,388
Deferred outflows of resources – OPEB	(523)	756	(580)	1,014
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts and contracts payable	(341,417)	132,598	(95,595)	(43,234)
Accrued salaries and employee benefits payable	(23,737)	12,568	(17,310)	6,411
Due to other governmental agencies	(1,062,879)	(1,142,016)	(2,305)	(1,672)
Deposits payable	(3,000)	–	–	–
Compensated absences payable	11,579	16,952	1,725	12,036
Net pension liability – GERF	42,651	(2,252)	83,225	46,493
Total OPEB liability	3,539	27,414	5,929	20,198
Deferred inflows of resources – GERF	(65,740)	(43,493)	(59,828)	(26,084)
Deferred inflows of resources – OPEB	(1,681)	11,292	(1,085)	9,998
Net cash flows from operating activities	<u>\$ 1,062,878</u>	<u>\$ 777,243</u>	<u>\$ 1,484,929</u>	<u>\$ 932,976</u>
Schedule of noncash activities from capital and related financing activities				
Capital assets contributed from other funds	<u>\$ –</u>	<u>\$ 2,537,191</u>	<u>\$ –</u>	<u>\$ 1,709,980</u>
Capital assets contributed by developers	<u>\$ 886,304</u>	<u>\$ 285,509</u>	<u>\$ 887,205</u>	<u>\$ 310,986</u>

Water Quality		Totals		Governmental Activities – Internal Service Fund
2020	2019	2020	2019	
\$ 551,872	\$ 448,641	\$ 3,131,685	\$ 1,597,205	\$ (180,194)
116,551	134,427	1,686,371	1,586,702	–
21,325	12,327	35,230	31,435	24,046
(2,018)	(15,514)	(76,556)	5,196	67
–	–	20,607	(21,288)	–
1,785	(12,327)	1,427	(13,652)	–
(9,863)	14,778	(44,273)	67,974	–
(308)	460	(1,411)	2,230	–
(35,460)	79,326	(472,472)	168,690	–
(7,164)	3,385	(48,211)	22,364	–
(982)	(143,000)	(1,066,166)	(1,286,688)	–
–	–	(3,000)	–	–
1,713	3,407	15,017	32,395	107,777
48,955	(15,352)	174,831	28,889	–
4,058	7,980	13,526	55,592	–
(23,471)	(21,150)	(149,039)	(90,727)	–
(222)	4,164	(2,988)	25,454	–
<u>\$ 666,771</u>	<u>\$ 501,552</u>	<u>\$ 3,214,578</u>	<u>\$ 2,211,771</u>	<u>\$ (48,304)</u>
<u>\$ –</u>	<u>\$ 335,892</u>	<u>\$ –</u>	<u>\$ 4,583,063</u>	<u>\$ –</u>
<u>\$ 32,638</u>	<u>\$ 17,600</u>	<u>\$ 1,806,147</u>	<u>\$ 614,095</u>	<u>\$ –</u>

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## CITY OF PRIOR LAKE

Notes to Basic Financial Statements  
December 31, 2020

### 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 and cash deposits in the police department. 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) Bankers' acceptances issued by United States banks and commercial paper issued by a United States corporation or its Canadian subsidiary that is rated in the highest quality category by at least two nationally recognized rating agencies and mature in 270 days or less .
- 8) 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)
- 2) Up to 100 percent of 2. a) 2) and 2. a) 3)
- 3) Up to 25 percent of 2. a) 4)
- 4) Up to 25 percent of 2. a) 5)
- 5) Up to 10 percent of 2. a) 6 and 2. a) 7)

#### **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.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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.

### **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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenses/expenditures at the time of consumption.

### **J. Assets Held for Resale**

Assets held for resale are reported as an asset in the government-wide and fund financial statements. These assets are reported at the lower of cost or acquisition value.

### **K. 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.”

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L. 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).

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. 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, utility access agreements, easements, and construction in progress are not depreciated.

### M. 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.

As benefits accrue to employees, vacation, and vested sick leave is reported as expense and liability in the government-wide and proprietary fund financial statements. Accrued vacation, and the portion of sick leave payable to employees upon termination are reported as expenditures in the governmental fund that will pay them when they become due and payable.

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

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **N. 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.

### **O. 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.

### **P. 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. 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.

### **Q. 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 (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions and 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.



## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. 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.”

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

### S. 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.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **T. 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, 2019, 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.

### **U. 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.

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.

### **V. 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.

### **W. 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.

### **X. 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.

### **Y. 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	\$ 297,110
Investments	38,996,478
Cash on hand	<u>950</u>
Total	<u>\$ 39,294,538</u>

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

Statement of Net Position	
Cash and investments	\$ 39,254,761
Restricted assets – temporarily restricted – cash and investments held in escrow	<u>39,777</u>
Total	<u>\$ 39,294,538</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 \$298,060, while the balance on the bank records was \$784,818. At December 31, 2020, 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	\$ 200,340	\$ –	\$ 200,340
Local government securities	AAA	S&P	Level 2	–	1,426,816	1,426,816
Local government securities	AAA	Moody's	Level 2	260,489	488,915	749,404
Local government securities	AA	S&P	Level 2	2,531,243	1,897,832	4,429,075
Local government securities	AA	Moody's	Level 2	379,664	3,986,783	4,366,447
Local government securities	A	S&P	Level 2	301,276	265,498	566,774
Local government securities	MIG1	Moody's	Level 2	604,434	–	604,434
Negotiable certificates of deposit	N/R	N/A	Level 2	2,684,574	10,031,517	12,716,091
				<u>\$ 6,962,020</u>	<u>\$ 18,097,361</u>	25,059,381
Investment pools/mutual funds						
4M Fund	N/R	N/A	Amortized Cost			10,030,757
U.S. Treasuries Fund	AAA	S&P	Level 1			1,222,058
Government Obligation Fund	AAA	S&P	Level 1			1,094,325
U.S. Government Securities Money Market Fund	AAA	S&P	Level 1			1,589,957
Total investment pools/ mutual funds						<u>13,937,097</u>
Total investments						<u>\$ 38,996,478</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, 2020 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	\$ 33,269,751	\$ –	\$ –	\$ (180,868)	\$ 33,088,883
Easements	48,173,410	507,210	–	–	48,680,620
Construction in progress	3,820,430	1,273,570	–	(355,962)	4,738,038
Total capital assets, not depreciated	85,263,591	1,780,780	–	(536,830)	86,507,541
Capital assets, depreciated					
Land improvements	2,832,128	–	–	–	2,832,128
Machinery and equipment	7,360,762	403,053	(386,382)	48,800	7,426,233
Vehicles	6,964,941	629,847	(633,898)	–	6,960,890
Infrastructure	117,847,122	3,715,349	–	307,162	121,869,633
Total capital assets, depreciated	135,004,953	4,748,249	(1,020,280)	355,962	139,088,884
Less accumulated depreciation on					
Land improvements	(1,764,386)	(71,399)	–	–	(1,835,785)
Machinery and equipment	(4,562,999)	(395,093)	363,895	–	(4,594,197)
Vehicles	(4,516,925)	(503,481)	617,171	–	(4,403,235)
Infrastructure	(57,266,418)	(3,900,897)	–	–	(61,167,315)
Total accumulated depreciation	(68,110,728)	(4,870,870)	981,066	–	(72,000,532)
Net capital assets, depreciated	66,894,225	(122,621)	(39,214)	355,962	67,088,352
Total capital assets, net	\$ 152,157,816	\$ 1,658,159	\$ (39,214)	\$ (180,868)	\$ 153,595,893

#### 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	\$ 2,499,970	\$ –	\$ –	\$ –	\$ 2,499,970
Easements	218,912	–	–	–	218,912
Construction in progress	3,070	116,731	–	(38,598)	81,203
Total capital assets, not depreciated	2,721,952	116,731	–	(38,598)	2,800,085
Capital assets, depreciated					
Land improvements	87,739	–	–	–	87,739
Machinery and equipment	1,376,307	24,400	–	–	1,400,707
Vehicles	465,213	–	–	–	465,213
Infrastructure	86,645,303	1,930,913	–	38,598	88,614,814
Total capital assets, depreciated	88,574,562	1,955,313	–	38,598	90,568,473
Less accumulated depreciation on					
Land improvements	(43,771)	(4,388)	–	–	(48,159)
Machinery and equipment	(810,684)	(66,634)	–	–	(877,318)
Vehicles	(104,883)	(16,776)	–	–	(121,659)
Infrastructure	(19,206,608)	(1,598,573)	–	–	(20,805,181)
Total accumulated depreciation	(20,165,946)	(1,686,371)	–	–	(21,852,317)
Net capital assets, depreciated	68,408,616	268,942	–	38,598	68,716,156
Total capital assets, net	\$ 71,130,568	\$ 385,673	\$ –	\$ –	\$ 71,516,241

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

**C. Depreciation Expense by Function**

Depreciation expense for the year ended December 31, 2020 was charged to the following functions:

Governmental activities	
General government	\$ 523,762
Public safety	300,901
Public works	3,605,422
Culture and recreation	<u>440,785</u>
Total depreciation expense – governmental activities	<u>\$ 4,870,870</u>
Business-type activities	
Water	\$ 955,327
Sewer	614,493
Water quality	<u>116,551</u>
Total depreciation expense – business-type activities	<u>\$ 1,686,371</u>

**NOTE 4 – TRANSFERS**

A schedule of interfund transfers is as follows:

Transfers Out	Transfer In					Internal Service Funds Severance	Total
	Governmental Funds						
	General	Debt Service	Construction	Nonmajor			
Governmental funds							
General	\$ –	\$ 241,768	\$ –	\$ 196,250	\$ 100,000	\$ 538,018	
Debt Service	–	155,645	–	–	–	155,645	
Construction	–	–	–	257,935	–	257,935	
Nonmajor	–	308,828	60,000	–	–	368,828	
Proprietary funds							
Water	202,110	554,050	292,000	167,000	–	1,215,160	
Sewer	202,110	–	338,000	92,000	–	632,110	
Water Quality	<u>65,780</u>	–	–	<u>20,000</u>	–	<u>85,780</u>	
	<u>\$ 470,000</u>	<u>\$ 1,260,291</u>	<u>\$ 690,000</u>	<u>\$ 733,185</u>	<u>\$ 100,000</u>	<u>\$ 3,253,476</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	\$ 2,660,000
Capital Improvement Refunding Bonds 2012A	\$ 9,825,000	2.00–2.70%	03/13/2012	12/15/2029	5,925,000
Street Reconstruction Bonds of 2015B	\$ 2,330,000	1.00–2.25%	05/14/2015	12/15/2022	715,000
Street Reconstruction Bonds of 2016A	\$ 760,000	2.00%	05/01/2016	12/15/2026	395,000
Improvement Bonds 2017A	\$ 370,000	2.00–2.25%	06/29/2017	12/15/2027	220,000
Improvement Bonds 2018A	\$ 1,165,000	4.00–5.00%	08/15/2018	12/15/2028	915,000
Improvement Bonds 2019A	\$ 215,000	5.00%	06/27/2019	12/15/2028	<u>200,000</u>
Total general obligation bonds					11,030,000
Improvement Bonds of 2011A	\$ 2,130,000	1.80–2.50%	08/31/2011	12/15/2021	225,000
Improvement Bonds of 2011B	\$ 2,280,000	2.00–2.35%	12/14/2011	12/15/2022	490,000
Improvement Bonds of 2013A	\$ 3,240,000	2.00–2.65%	08/15/2013	12/15/2023	965,000
Improvement Bonds of 2014A	\$ 2,665,000	2.00–2.50%	09/25/2014	12/15/2024	945,000
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	50,000
Improvement Bonds of 2016A	\$ 1,105,000	2.00%	05/01/2016	12/15/2026	660,000
Improvement Bonds of 2017A	\$ 4,135,000	2.00–2.25%	06/29/2017	12/15/2024	2,895,000
Improvement Bonds of 2018A	\$ 4,465,000	4.00–5.00%	08/15/2018	12/15/2028	3,545,000
Improvement Bonds of 2019A	\$ 1,850,000	5.00%	06/27/2019	12/15/2028	<u>1,700,000</u>
Total general obligation special assessment bonds					16,115,000
Tax increment bonds					
Tax Increment Refunding Bonds of 2011A	\$ 290,000	1.80–3.00%	08/31/2011	12/15/2024	110,000
General obligation revenue bonds					
General Obligation Improvement Bonds of 2015A	\$ 5,360,000	1.00–3.00%	05/14/2015	12/15/2031	5,135,000
General Obligation Improvement Bonds of 2016A	\$ 1,640,000	2.00%	05/01/2016	12/15/2022	<u>710,000</u>
Total general obligation revenue bonds					5,845,000
Premium (discount) on bonds payable					1,251,694
Energy loan payable	\$ 2,667,924	2.12%	12/08/2014	06/19/2025	1,283,797
Compensated absences payable					<u>948,808</u>
Total governmental activity long-term liabilities					36,584,299
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	2,190,000
Premium (discount) on bonds payable					268,188
Compensated absences payable					<u>215,031</u>
Total business-type activity long-term liabilities					<u>2,673,219</u>
Total government-wide long-term liabilities					<u><u>\$ 39,257,518</u></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	\$ 12,185,000	\$ –	\$ 1,155,000	\$ 11,030,000	\$ 1,290,000
G.O. special assessment bonds	18,465,000	–	2,350,000	16,115,000	2,265,000
G.O. tax increment bonds	135,000	–	25,000	110,000	25,000
G.O. revenue bonds	6,245,000	–	400,000	5,845,000	420,000
Premium (discount) on bonds payable	1,430,714	–	179,020	1,251,694	–
Total bonds payable, net of premium (discount)	38,460,714	–	4,109,020	34,351,694	4,000,000
Energy loan payable	1,552,924	–	269,127	1,283,797	274,859
Compensated absences payable	841,031	178,212	70,435	948,808	360,991
Governmental activities long-term liabilities	\$ 40,854,669	\$ 178,212	\$ 4,448,582	\$ 36,584,299	\$ 4,635,850
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 2,430,000	\$ –	\$ 240,000	\$ 2,190,000	\$ 240,000
Premium (discount) on bonds payable	301,711	–	33,523	268,188	–
Total bonds payable, net of premium (discount)	2,731,711	–	273,523	2,458,188	240,000
Compensated absences payable	200,014	40,487	25,470	215,031	104,059
Business-type activities long-term liabilities	\$ 2,931,725	\$ 40,487	\$ 298,993	\$ 2,673,219	\$ 344,059

### 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				Business-Type Activities			
					G.O. Tax Increment Bonds		G.O. Revenue Bonds		Energy Loan Payable		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,290,000	\$ 295,047	\$ 2,265,000	\$ 496,204	\$ 25,000	\$ 3,175	\$ 420,000	\$ 145,700	\$ 274,859	\$ 25,755	\$ 240,000	\$ 99,300
2022	1,450,000	265,802	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	292,800	7,813	270,000	69,300
2025	1,060,000	179,620	1,845,000	255,188	–	–	515,000	109,750	148,731	1,576	270,000	58,500
2026-2030	4,765,000	426,010	5,820,000	500,851	–	–	2,855,000	351,100	–	–	900,000	92,000
2031	315,000	10,710	–	–	–	–	640,000	19,200	–	–	–	–
	\$ 11,030,000	\$ 1,616,096	\$ 16,115,000	\$ 2,368,962	\$ 110,000	\$ 8,425	\$ 5,845,000	\$ 1,012,325	\$ 1,283,797	\$ 68,964	\$ 2,190,000	\$ 488,500

### 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.

**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.

## NOTE 5 – LONG-TERM DEBT (CONTINUED)

### 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, 2020 is \$4,498,268.

### 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	\$ 118,425	\$ 28,763	\$ 130,212
General Obligation Bonds of 2015A	Partial refunding	Utility charges	100%	2015–2031	\$ 6,125,825	\$ 207,625	\$ 4,784,064
General Obligation Bonds of 2016A	Partial refunding	Utility charges	100%	2016–2022	\$ 731,500	\$ 345,700	\$ 4,784,064
General Obligation Bonds of 2018A	Water and sewer improvements	Utility charges	100%	2018–2028	\$ 2,678,500	\$ 348,900	\$ 9,183,782

### 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 \$3,713,161,300, which calculates to a debt limit of \$111,394,839. 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 \$11,030,000 of general obligation debt outstanding, leaving a debt margin of \$100,364,839.

**NOTE 6 – FUND BALANCES**

**A. Classifications**

At December 31, 2020, 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>
Nonspendable					
Prepaid items	\$ 70,006	\$ –	\$ –	\$ –	\$ 70,006
Restricted					
Future debt service	–	2,834,191	–	–	2,834,191
Economic development	–	–	–	216,117	216,117
Communications	–	–	–	97,986	97,986
Capital improvements	–	–	–	2,268,074	2,268,074
Development	–	–	–	877,359	877,359
Tax increment	–	–	–	864,565	864,565
Forfeiture sales	–	–	–	162,862	162,862
Total restricted	<u>–</u>	<u>2,834,191</u>	<u>–</u>	<u>4,486,963</u>	<u>7,321,154</u>
Assigned					
Subsequent year’s budget	260,704	–	–	–	260,704
Capital improvements	–	–	493,808	8,662,258	9,156,066
Total assigned	<u>260,704</u>	<u>–</u>	<u>493,808</u>	<u>8,662,258</u>	<u>9,416,770</u>
Unassigned	<u>9,783,378</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,783,378</u>
Total	<u>\$ 10,114,088</u>	<u>\$ 2,834,191</u>	<u>\$ 493,808</u>	<u>\$ 13,149,221</u>	<u>\$ 26,591,308</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, 2020, the unrestricted fund balance of the General Fund was 66.6 percent and the unassigned balance of the General Fund was 64.9 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**

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota. 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, 2020:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
GERF	\$ 4,280,758	\$ 546,022	\$ 227,978	\$ 218,441
PEPFF	3,387,534	1,780,894	2,128,887	454,819
Total	<u>\$ 7,668,292</u>	<u>\$ 2,326,916</u>	<u>\$ 2,356,865</u>	<u>\$ 673,260</u>

**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 Public Employees Police and Fire Fund (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.

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

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 the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### **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 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus year of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the post-retirement increase will be fixed at 1.0 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.

### **1. GERF Contributions**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020. 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, 2020, were \$395,820. 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 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the PEPFF for the year ended December 31, 2020, were \$555,781. 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, 2020, the City reported a liability of \$4,280,758 for its proportionate share of the GERF’s net pension liability. The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0714 percent at the end of the measurement period and 0.0679 percent for the beginning of the period.

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	\$ 4,280,758
State’s proportionate share of the net pension liability associated with the City	\$ 132,000

For the year ended December 31, 2020, the City recognized pension expense of \$206,953 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$11,488 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,064	\$ 16,196
Changes in actuarial assumptions	–	152,734
Differences between projected and actual investment earnings	92,643	–
Changes in proportion	211,699	59,048
Contributions paid to the PERA subsequent to the measurement date	204,616	–
Total	\$ 546,022	\$ 227,978



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

A total of \$204,616 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, 2021. 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>
2021	\$ (203,764)
2022	\$ 84,314
2023	\$ 129,452
2024	\$ 103,426

### 2. PEPFF Pension Costs

At December 31, 2020, the City reported a liability of \$3,387,534 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.2570 percent at the end of the measurement period and 0.2569 percent for the beginning of the period.

The state of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in fire state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later.

As a result, the state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB Statement No. 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$430,272 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$24,547 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

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

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	\$ 3,387,534
State’s proportionate share of the net pension liability associated with the City	\$ 79,788

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for \$9.0 million in fire state aid. The City also recognized \$23,130 for the year ended December 31, 2020, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of the 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	\$ 145,898	\$ 148,978
Changes in actuarial assumptions	1,051,306	1,949,368
Differences between projected and actual investment earnings	135,190	–
Changes in proportion	145,743	30,541
Contributions paid to the PERA subsequent to the measurement date	<u>302,757</u>	<u>–</u>
Total	<u>\$ 1,780,894</u>	<u>\$ 2,128,887</u>

A total of \$302,757 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, 2021. 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>
2021	\$ (181,307)
2022	\$ (827,083)
2023	\$ 189,311
2024	\$ 165,767
2025	\$ 2,562

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

### E. Actuarial Assumptions

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

	<u>GERF</u>	<u>PEPFF</u>
Inflation	2.25% per year	2.50% per year
Active member payroll growth	3.00% per year	3.25% per year
Investment rate of return	7.50%	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.

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

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

#### 1. GERF

##### CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

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

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

**CHANGES IN PLAN PROVISIONS**

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2. PEPFF**

**CHANGES IN ACTUARIAL ASSUMPTIONS**

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

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 stocks	35.50 %	5.10 %
International stocks	17.50	5.30 %
Bonds (fixed income)	20.00	0.75 %
Alternative assets (private markets)	25.00	5.90 %
Cash	2.00	– %
Total	100.00 %	

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

### F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the GERP 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.

### 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 GERP net pension liability	\$ 6,860,568	\$ 4,280,758	\$ 2,152,619
City's proportionate share of the PEPFF net pension liability	\$ 6,751,845	\$ 3,387,534	\$ 604,158

### 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](http://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, 2019, the plan covered 41 active firefighters and 13 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, \$8,500 per year of service. 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 \$8,500 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 \$8,500 for each year that they served as an active member of the Department.

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

**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 \$247,275 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2020, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contributions to the plan for the year ended December 31, 2020 were \$247,275. 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, 2020. Furthermore, firefighters have no obligation to contribute to the plan.

**D. Pension Costs**

At December 31, 2020, the City reported a net pension liability (asset) of \$1,228,062 for the plan. The net pension liability (asset) was measured as of December 31, 2019. 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, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$364,966. The City also recognized \$233,651 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, 2020	\$ 3,550,594	\$ 4,190,368	\$ (639,774)
Changes for the year			
Service cost	153,304	–	153,304
Interest on pension liability (asset)	197,843	–	197,843
Projected investment earnings	–	231,574	(231,574)
Contributions (employer)	–	20,000	(20,000)
Contributions (state)	–	233,651	(233,651)
Asset (gain) loss	–	454,210	(454,210)
Benefit payments	(213,500)	(213,500)	–
Total net changes	<u>137,647</u>	<u>725,935</u>	<u>(588,288)</u>
Ending balance – December 31, 2020	<u>\$ 3,688,241</u>	<u>\$ 4,916,303</u>	<u>\$ (1,228,062)</u>

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

At December 31, 2020, 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	\$ –	\$ 210,685
Changes in actuarial assumptions	39,880	–
Difference between expected and actual economic experience	14,002	45,366
State aid to the City subsequent to the measurement date	–	248,275
Contributions from the City subsequent to the measurement date	<u>267,275</u>	<u>–</u>
Total	<u>\$ 321,157</u>	<u>\$ 504,326</u>

Deferred outflows of resources totaling \$267,275 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, 2021. Deferred inflows of resources totaling \$248,275 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, 2021. 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>
2021	\$ (75,389)
2022	(56,983)
2023	20,287
2024	(88,258)
2025	(915)
Thereafter	(911)

**E. Actuarial Assumptions**

The total pension liability (asset) at December 31, 2020 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 in Discount Rate (4.50%)</u>	<u>Discount Rate (5.50%)</u>	<u>1% Increase in Discount Rate (6.50%)</u>
Net pension liability (asset)	<u>\$ (1,130,017)</u>	<u>\$ (1,228,062)</u>	<u>\$ (1,320,028)</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. Plan Changes**

A benefit level increase from \$8,000 to \$8,500 occurred for fiscal year 2019.

## 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 \$36,021. Contributions for OPEB are 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 \$864,888 as of year-end was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2019.

### 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 3.80 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).

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.

### G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – January 1, 2020	\$ 796,524
Changes for the year	
Service cost	64,598
Interest	32,188
Benefit payments – employer-financed	(28,422)
Total net changes	<u>68,364</u>
Ending balance – December 31, 2020	<u>\$ 864,888</u>

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

**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>\$ 932,304</u>	<u>\$ 864,888</u>	<u>\$ 802,080</u>

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:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend 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>\$ 768,354</u>	<u>\$ 864,888</u>	<u>\$ 979,115</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 \$78,930. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ –	\$ 95,934
Difference between expected and actual economic experience	–	29,042
Contributions from the City subsequent to the measurement date	<u>36,021</u>	<u>–</u>
	<u>\$ 36,021</u>	<u>\$ 124,976</u>

Deferred outflows of resources totaling \$36,021 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, 2021. 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 June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ (17,856)
2022	\$ (17,856)
2023	\$ (17,856)
2024	\$ (17,856)
2025	\$ (17,856)
Thereafter	\$ (35,696)

## NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

### Deficit Net Position

As of December 31, 2020, the Severance Compensation Internal Service Fund had a deficit net position of \$442,978. 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.

<u>Name</u>	<u>Purpose</u>	<u>Amount Abated During the Fiscal Year</u>	<u>Outstanding Principal Balance at Year-End</u>	<u>Date of Required Decertification</u>
1-3 Lakefront	80-unit owner-occupied senior housing facility and 12,000 square feet of retail space and related improvements	\$ 97,659	\$ 890,127	12/31/2029
1-4 River Valley Vet	7,000 square foot addition to the existing veterinary clinic facility	\$ 9,434	\$ 8,124	12/31/2022
3-1 Creekside Estates	54-unit senior housing facility	\$ 44,321	\$ –	12/31/2029
5-1 Premier Dance	10,000 square foot commercial facility to be used as a dance studio	\$ 14,461	\$ 111,111	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	\$ 319,480	\$ 2,877,238	12/31/2034
1-5 Gateway Center	Acquisition, construction, and equipping of a 170-unit multi-family senior housing development	\$ 182,119	\$ 1,366,437	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, 2020 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 2020, the City awarded contracts for various construction and remodeling projects. The City's commitment for uncompleted work on these contracts at December 31, 2020 is \$369,422.

### **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.

### **E. COVID-19**

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the City's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

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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, 2020

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 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%
12/31/2020	06/30/2020	0.0714%	\$ 4,280,758	\$ 132,000	\$ 4,412,758	\$ 5,090,738	84.09%	79.10%

PERA – General Employees Retirement Fund  
 Schedule of City Contributions  
 Year Ended December 31, 2020

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%
12/31/2020	\$ 395,820	\$ 395,820	\$ –	\$ 5,278,601	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 and Nonemployer Proportionate Share of Net Pension Liability  
 Year Ended December 31, 2020

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 Proportionate Share of the State of Minnesota’s Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City’s Share of the State of Minnesota’s 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	\$ –	\$ 2,726,962	\$ 2,244,215	121.51%	86.60%
12/31/2016	06/30/2016	0.2380%	\$ 9,551,354	\$ –	\$ 9,551,354	\$ 2,294,383	416.29%	63.90%
12/31/2017	06/30/2017	0.2360%	\$ 3,186,282	\$ –	\$ 3,186,282	\$ 2,425,426	131.37%	85.40%
12/31/2018	06/30/2018	0.2463%	\$ 2,625,304	\$ –	\$ 2,625,304	\$ 2,595,948	101.13%	88.80%
12/31/2019	06/30/2019	0.2569%	\$ 2,734,960	\$ –	\$ 2,734,960	\$ 2,713,440	100.79%	89.30%
12/31/2020	06/30/2020	0.2570%	\$ 3,387,534	\$ 79,788	\$ 3,467,322	\$ 3,019,145	112.20%	87.20%

PERA – Public Employees Police and Fire Fund  
 Schedule of City Contributions  
 Year Ended December 31, 2020

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%
12/31/2020	\$ 555,781	\$ 555,781	\$ –	\$ 3,139,767	17.70%

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 Liability (Asset) and Related Ratios  
 (Last Six Years)

City fiscal year-end dated December 31,	2015	2016	2017	2018	2019	2020
Measurement period – December 31,	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ 106,719	\$ 109,387	\$ 110,441	\$ 132,893	\$ 151,350	\$ 153,304
Interest	148,718	164,204	192,181	208,100	220,949	197,843
Asset (gain) loss	–	–	28,006	–	(60,490)	–
Benefit payments	–	–	(34,403)	(209,373)	(691,031)	(213,500)
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)	137,647
Total pension liability – beginning	2,481,307	2,736,744	3,109,785	3,440,120	3,876,642	3,550,594
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>	<u>\$ 3,688,241</u>
<b>Plan fiduciary net position</b>						
Contributions (state and local)	\$ 215,194	\$ 228,087	\$ 235,891	\$ 237,182	\$ 247,610	\$ 253,651
Net investment income	154,856	(169,276)	320,811	640,986	(262,184)	685,784
Benefit payments	–	–	(34,403)	(209,373)	(691,031)	(213,500)
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)	725,935
Total plan fiduciary net position – beginning	3,301,229	3,664,632	3,716,803	4,229,942	4,898,617	4,190,368
Total plan fiduciary net position – 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>	<u>\$ 4,916,303</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>	<u>\$ (1,228,062)</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>	<u>133.30%</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, 2020  
 (Last Six 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
12/31/2020	\$ 247,275	\$ 247,275	\$ —	\$ 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, 2020

	Fiscal Year-End		
	2018	2019	2020
Total OPEB liability			
Service cost	\$ 61,214	\$ 62,717	\$ 64,598
Interest	29,555	31,270	32,188
Changes of assumptions	–	(37,343)	–
Differences between expected and actual experiences	–	(123,346)	–
Benefit payments	<u>(37,688)</u>	<u>(42,907)</u>	<u>(28,422)</u>
Net change in total OPEB liability	53,081	(109,609)	68,364
Total OPEB liability – beginning of year	<u>853,052</u>	<u>906,133</u>	<u>796,524</u>
Total OPEB liability – end of year	<u>\$ 906,133</u>	<u>\$ 796,524</u>	<u>\$ 864,888</u>
Covered payroll	<u>\$ 6,560,761</u>	<u>\$ 7,134,065</u>	<u>\$ 7,348,087</u>
Total OPEB liability as a percentage of covered payroll	<u>13.81%</u>	<u>11.17%</u>	<u>11.77%</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, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

**2020 CHANGES IN PLAN PROVISIONS**

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF PRIOR LAKE

Notes to Required Supplementary Information (continued)  
December 31, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**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, 2020

**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.

**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, 2020

**PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**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, 2020

**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, 2020

**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, 2020

**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 \$8,000 to \$8,500 was reflected in the pension liability 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, 2020

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 3,354,245	\$ 10,063,814	\$ 13,418,059
Cash held in escrow	39,777	-	39,777
Receivables			
Delinquent taxes	90	-	90
Accounts	90,100	49,799	139,899
Special assessments			
Delinquent	-	1,544	1,544
Deferred	-	390,990	390,990
Due from other governmental agencies	927	4,369	5,296
Assets held for resale	417,268	-	417,268
	<u>3,902,407</u>	<u>10,510,516</u>	<u>14,412,923</u>
Total assets	<u>\$ 3,902,407</u>	<u>\$ 10,510,516</u>	<u>\$ 14,412,923</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 40,489	\$ 474,658	\$ 515,147
Accrued salaries and employee benefits payable	4,191	-	4,191
Due to other governmental agencies	563	-	563
Deposits payable	200,926	116,500	317,426
Unearned revenue	33,750	-	33,750
Total liabilities	<u>279,919</u>	<u>591,158</u>	<u>871,077</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue from delinquent taxes	90	-	90
Unavailable revenue from special assessments	-	392,535	392,535
Total deferred inflows of resources	<u>90</u>	<u>392,535</u>	<u>392,625</u>
<b>Fund balances</b>			
Restricted	3,622,398	864,565	4,486,963
Assigned	-	8,662,258	8,662,258
Total fund balances	<u>3,622,398</u>	<u>9,526,823</u>	<u>13,149,221</u>
	<u>\$ 3,902,407</u>	<u>\$ 10,510,516</u>	<u>\$ 14,412,923</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,902,407</u>	<u>\$ 10,510,516</u>	<u>\$ 14,412,923</u>



CITY OF PRIOR LAKE

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total
Revenue			
Taxes	\$ 273,460	\$ 1,852,571	\$ 2,126,031
Special assessments	-	306,455	306,455
Charges for services	282,414	953,169	1,235,583
Investment income	88,530	307,580	396,110
Miscellaneous			
Contributions and donations	35,030	-	35,030
Other	28,117	28,036	56,153
Total revenue	<u>707,551</u>	<u>3,447,811</u>	<u>4,155,362</u>
Expenditures			
Current			
General government	4,724	-	4,724
Public safety	12,896	-	12,896
Culture and recreation	11,152	-	11,152
Economic development	170,125	229	170,354
Capital outlay	<u>622,913</u>	<u>2,587,391</u>	<u>3,210,304</u>
Total expenditures	<u>821,810</u>	<u>2,587,620</u>	<u>3,409,430</u>
Excess (deficiency) of revenues over expenditures	(114,259)	860,191	745,932
Other financing sources (uses)			
Contributions from governmental activities	180,868	-	180,868
Transfers in	161,250	571,935	733,185
Transfers out	-	(368,828)	(368,828)
Sale of capital assets	-	63,717	63,717
Total other financing sources (uses)	<u>342,118</u>	<u>266,824</u>	<u>608,942</u>
Net change in fund balances	227,859	1,127,015	1,354,874
Fund balances			
Beginning of year	<u>3,394,539</u>	<u>8,399,808</u>	<u>11,794,347</u>
End of year	<u>\$ 3,622,398</u>	<u>\$ 9,526,823</u>	<u>\$ 13,149,221</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 as of December 31, 2020

	Capital Park	ED Revolving Loan	Revolving Loan
<b>Assets</b>			
Cash and investments	\$ 1,678,603	\$ 134,528	\$ 664
Cash held in escrow	-	-	-
Receivables			
Delinquent taxes	-	-	-
Accounts	2,858	579	346
Due from other governmental agencies	-	-	-
Assets held for resale	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,681,461</u>	<u>\$ 135,107</u>	<u>\$ 1,010</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 17,393	\$ -	\$ -
Accrued salaries and employee benefits payable	-	-	-
Due to other governmental agencies	-	-	-
Deposits payable	-	-	-
Unearned revenue	33,750	-	-
Total liabilities	<u>51,143</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue from delinquent taxes	-	-	-
<b>Fund balances</b>			
Restricted for economic development	-	135,107	1,010
Restricted for forfeiture sales	-	-	-
Restricted for capital improvements	1,630,318	-	-
Restricted for development	-	-	-
Restricted for communications	-	-	-
Total fund balances	<u>1,630,318</u>	<u>135,107</u>	<u>1,010</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,681,461</u>	<u>\$ 135,107</u>	<u>\$ 1,010</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Total</u>
\$ 91,746	\$ 464,303	\$ 162,638	\$ 821,763	\$ 3,354,245
25,000	–	14,777	–	39,777
–	90	–	–	90
6,240	79,853	224	–	90,100
–	927	–	–	927
–	417,268	–	–	417,268
<u>\$ 122,986</u>	<u>\$ 962,441</u>	<u>\$ 177,639</u>	<u>\$ 821,763</u>	<u>\$ 3,902,407</u>
\$ –	\$ 238	\$ –	\$ 22,858	\$ 40,489
–	4,191	–	–	4,191
–	563	–	–	563
25,000	–	14,777	161,149	200,926
–	–	–	–	33,750
<u>25,000</u>	<u>4,992</u>	<u>14,777</u>	<u>184,007</u>	<u>279,919</u>
–	90	–	–	90
–	80,000	–	–	216,117
–	–	162,862	–	162,862
–	–	–	637,756	2,268,074
–	877,359	–	–	877,359
97,986	–	–	–	97,986
<u>97,986</u>	<u>957,359</u>	<u>162,862</u>	<u>637,756</u>	<u>3,622,398</u>
<u>\$ 122,986</u>	<u>\$ 962,441</u>	<u>\$ 177,639</u>	<u>\$ 821,763</u>	<u>\$ 3,902,407</u>

CITY OF PRIOR LAKE

Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Year Ended December 31, 2020

	<u>Capital Park</u>	<u>ED Revolving Loan</u>	<u>Revolving Loan</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Charges for services	174,820	-	-
Investment income	63,581	4,595	5
Miscellaneous			
Contributions and donations	30,130	-	-
Other	-	-	-
Total revenues	<u>268,531</u>	<u>4,595</u>	<u>5</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	11,152	-	-
Economic development	-	-	-
Capital outlay	<u>357,754</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>368,906</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(100,375)	4,595	5
Other financing sources			
Contributions from governmental activities	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(100,375)	4,595	5
Fund balances			
Beginning of year	<u>1,730,693</u>	<u>130,512</u>	<u>1,005</u>
End of year	<u>\$ 1,630,318</u>	<u>\$ 135,107</u>	<u>\$ 1,010</u>

<u>Cable Franchise</u>	<u>EDA</u>	<u>Police Forfeiture</u>	<u>DAG</u>	<u>Total</u>
\$ -	\$ 273,460	\$ -	\$ -	\$ 273,460
31,276	7,617	-	68,701	282,414
2,667	12,366	5,316	-	88,530
-	4,900	-	-	35,030
-	-	28,117	-	28,117
<u>33,943</u>	<u>298,343</u>	<u>33,433</u>	<u>68,701</u>	<u>707,551</u>
4,724	-	-	-	4,724
-	-	12,896	-	12,896
-	-	-	-	11,152
-	170,125	-	-	170,125
<u>6,399</u>	<u>87,533</u>	<u>31</u>	<u>171,196</u>	<u>622,913</u>
<u>11,123</u>	<u>257,658</u>	<u>12,927</u>	<u>171,196</u>	<u>821,810</u>
22,820	40,685	20,506	(102,495)	(114,259)
-	180,868	-	-	180,868
-	161,250	-	-	161,250
<u>-</u>	<u>342,118</u>	<u>-</u>	<u>-</u>	<u>342,118</u>
22,820	382,803	20,506	(102,495)	227,859
<u>75,166</u>	<u>574,556</u>	<u>142,356</u>	<u>740,251</u>	<u>3,394,539</u>
<u>\$ 97,986</u>	<u>\$ 957,359</u>	<u>\$ 162,862</u>	<u>\$ 637,756</u>	<u>\$ 3,622,398</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 as of December 31, 2020

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
<b>Assets</b>			
Cash and investments	\$ 20,294	\$ 799,452	\$ 4,012,844
Receivables			
Accounts	926	5,043	19,967
Special assessments			
Delinquent	-	-	726
Deferred	-	-	6,245
Due from other governmental agencies	-	2,347	-
Total assets	<u>\$ 21,220</u>	<u>\$ 806,842</u>	<u>\$ 4,039,782</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ -	\$ 169,838	\$ -
Deposits payable	-	-	-
Total liabilities	<u>-</u>	<u>169,838</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue from special assessments	-	-	6,972
<b>Fund balances</b>			
Restricted for tax increment	21,220	-	-
Assigned for capital improvements	-	637,004	4,032,810
Total fund balances	<u>21,220</u>	<u>637,004</u>	<u>4,032,810</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,220</u>	<u>\$ 806,842</u>	<u>\$ 4,039,782</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ 1,376,660	\$ 622,005	\$ 151,666	\$ 265,562
3,645	13,775	657	295
-	559	-	-
-	3,218	-	-
-	-	-	-
<u>\$ 1,380,305</u>	<u>\$ 639,557</u>	<u>\$ 152,323</u>	<u>\$ 265,857</u>
\$ -	\$ -	\$ 42,074	\$ -
116,500	-	-	-
<u>116,500</u>	<u>-</u>	<u>42,074</u>	<u>-</u>
-	3,777	-	-
-	-	110,249	265,857
<u>1,263,805</u>	<u>635,780</u>	<u>-</u>	<u>-</u>
<u>1,263,805</u>	<u>635,780</u>	<u>110,249</u>	<u>265,857</u>
<u>\$ 1,380,305</u>	<u>\$ 639,557</u>	<u>\$ 152,323</u>	<u>\$ 265,857</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds  
 Combining Balance Sheet (continued)  
 as of December 31, 2020

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
<b>Assets</b>			
Cash and investments	\$ 17,643	\$ 587,115	\$ 6,080
Receivables			
Accounts	22	848	(11)
Special assessments			
Delinquent	-	-	-
Deferred	-	-	-
Due from other governmental agencies	-	-	-
Total assets	<u>\$ 17,665</u>	<u>\$ 587,963</u>	<u>\$ 6,069</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 7,230	\$ 159,740	\$ 4,717
Deposits payable	-	-	-
Total liabilities	<u>7,230</u>	<u>159,740</u>	<u>4,717</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue from special assessments	-	-	-
<b>Fund balances</b>			
Restricted for tax increment	10,435	428,223	1,352
Assigned for capital improvements	-	-	-
Total fund balances	<u>10,435</u>	<u>428,223</u>	<u>1,352</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,665</u>	<u>\$ 587,963</u>	<u>\$ 6,069</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>
\$ 118,470	\$ 1,220,590	\$ 506,207	\$ 359,226	\$ 10,063,814
(182)	1,303	3,643	(132)	49,799
–	–	–	259	1,544
–	–	–	381,527	390,990
–	1,197	111	714	4,369
<u>\$ 118,288</u>	<u>\$ 1,223,090</u>	<u>\$ 509,961</u>	<u>\$ 741,594</u>	<u>\$ 10,510,516</u>
\$ 91,059	\$ –	\$ –	\$ –	\$ 474,658
–	–	–	–	116,500
<u>91,059</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>591,158</u>
–	–	–	381,786	392,535
27,229	–	–	–	864,565
–	1,223,090	509,961	359,808	8,662,258
<u>27,229</u>	<u>1,223,090</u>	<u>509,961</u>	<u>359,808</u>	<u>9,526,823</u>
<u>\$ 118,288</u>	<u>\$ 1,223,090</u>	<u>\$ 509,961</u>	<u>\$ 741,594</u>	<u>\$ 10,510,516</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Year Ended December 31, 2020

	<u>Tax Increment</u>	<u>Revolving Equipment</u>	<u>Trunk Reserve</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 624,897	\$ -
Special assessments	-	-	1,844
Charges for services	7,200	-	604,347
Investment income	1,064	21,105	123,209
Miscellaneous	-	-	-
Total revenues	<u>8,264</u>	<u>646,002</u>	<u>729,400</u>
<b>Expenditures</b>			
Current			
Economic development	229	-	-
Capital outlay	<u>73,340</u>	<u>1,115,758</u>	<u>492</u>
Total expenditures	<u>73,569</u>	<u>1,115,758</u>	<u>492</u>
Excess (deficiency) of revenues over expenditures	(65,305)	(469,756)	728,908
<b>Other financing sources (uses)</b>			
Transfers in	-	215,000	-
Transfers out	-	-	(60,000)
Sale of capital assets	-	63,717	-
Total other financing sources (uses)	<u>-</u>	<u>278,717</u>	<u>(60,000)</u>
Net change in fund balances	(65,305)	(191,039)	668,908
<b>Fund balances</b>			
Beginning of year	<u>86,525</u>	<u>828,043</u>	<u>3,363,902</u>
End of year	<u>\$ 21,220</u>	<u>\$ 637,004</u>	<u>\$ 4,032,810</u>

<u>Street Oversizing</u>	<u>Water Storage</u>	<u>Tax Increment 1-3 Lakefront</u>	<u>Tax Increment 3-1 Creekside</u>
\$ -	\$ -	\$ 130,212	\$ 96,149
-	1,317	-	-
44,461	297,161	-	-
44,972	16,365	3,754	6,249
-	-	-	-
<u>89,433</u>	<u>314,843</u>	<u>133,966</u>	<u>102,398</u>
-	-	-	-
-	-	100,368	1,009
-	-	<u>100,368</u>	<u>1,009</u>
89,433	314,843	33,598	101,389
-	-	-	-
-	-	(28,895)	-
-	-	-	-
-	-	<u>(28,895)</u>	-
89,433	314,843	4,703	101,389
<u>1,174,372</u>	<u>320,937</u>	<u>105,546</u>	<u>164,468</u>
<u>\$ 1,263,805</u>	<u>\$ 635,780</u>	<u>\$ 110,249</u>	<u>\$ 265,857</u>

CITY OF PRIOR LAKE

Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances (continued)  
 Year Ended December 31, 2020

	Tax Increment 5-1 Premiere	Tax Increment 6-1 Shepard's Path	Tax Increment 1-4 River Vet
Revenues			
Taxes	\$ 16,068	\$ 354,978	\$ 10,483
Special assessments	-	-	-
Charges for services	-	-	-
Investment income	372	14,676	61
Miscellaneous	-	-	-
Total revenues	<u>16,440</u>	<u>369,654</u>	<u>10,544</u>
Expenditures			
Current			
Economic development	-	-	-
Capital outlay	<u>15,490</u>	<u>320,471</u>	<u>10,445</u>
Total expenditures	<u>15,490</u>	<u>320,471</u>	<u>10,445</u>
Excess (deficiency) of revenues over expenditures	950	49,183	99
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	950	49,183	99
Fund balances			
Beginning of year	<u>9,485</u>	<u>379,040</u>	<u>1,253</u>
End of year	<u>\$ 10,435</u>	<u>\$ 428,223</u>	<u>\$ 1,352</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>
\$ 191,705	\$ 318,599	\$ 29,523	\$ 79,957	\$ 1,852,571
-	-	-	303,294	306,455
-	-	-	-	953,169
951	33,131	17,466	24,205	307,580
-	28,036	-	-	28,036
<u>192,656</u>	<u>379,766</u>	<u>46,989</u>	<u>407,456</u>	<u>3,447,811</u>
-	-	-	-	229
<u>183,131</u>	<u>62,120</u>	<u>114,490</u>	<u>590,277</u>	<u>2,587,391</u>
<u>183,131</u>	<u>62,120</u>	<u>114,490</u>	<u>590,277</u>	<u>2,587,620</u>
9,525	317,646	(67,501)	(182,821)	860,191
-	-	99,000	257,935	571,935
-	-	-	(279,933)	(368,828)
-	-	-	-	63,717
<u>-</u>	<u>-</u>	<u>99,000</u>	<u>(21,998)</u>	<u>266,824</u>
9,525	317,646	31,499	(204,819)	1,127,015
<u>17,704</u>	<u>905,444</u>	<u>478,462</u>	<u>564,627</u>	<u>8,399,808</u>
<u>\$ 27,229</u>	<u>\$ 1,223,090</u>	<u>\$ 509,961</u>	<u>\$ 359,808</u>	<u>\$ 9,526,823</u>

CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Year Ended December 31, 2020

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

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 8,953,156	\$ 8,953,156	\$ 8,923,782	\$ (29,374)	\$ 8,367,851
Franchise taxes	630,000	630,000	670,917	40,917	639,783
Total taxes	9,583,156	9,583,156	9,594,699	11,543	9,007,634
Special assessments	5,000	5,000	5,457	457	140
Licenses and permits					
Business	84,145	84,145	11,625	(72,520)	81,320
Nonbusiness	746,319	746,319	888,976	142,657	910,776
Total licenses and permits	830,464	830,464	900,601	70,137	992,096
Intergovernmental					
Federal grants	10,000	10,000	1,957,795	1,947,795	1,821
State					
Road and bridge aid	377,000	377,000	417,958	40,958	378,807
Fire relief aid	242,650	242,650	248,275	5,625	273,282
Police aid	251,990	251,990	296,262	44,272	291,594
Other state aids	25,905	25,905	34,315	8,410	11,905
County and local					
Township fire and rescue aid	364,147	364,147	365,765	1,618	314,136
Liaison aid	54,670	54,670	54,670	–	52,680
Other local aids	–	–	17,000	17,000	1,000
Payment in lieu of taxes	800,000	800,000	700,000	(100,000)	600,000
Total intergovernmental	2,126,362	2,126,362	4,092,040	1,965,678	1,925,225
Charges for services					
Zoning fees	30,000	30,000	36,370	6,370	32,104
Plan check fees	320,487	320,487	397,284	76,797	382,837
Park fees	181,850	181,850	128,565	(53,285)	202,125
Project fees	122,000	122,000	41,995	(80,005)	73,290
Park program revenue	62,000	62,000	36,348	(25,652)	75,084
Tower leases	317,582	317,582	305,566	(12,016)	312,116
Park admission/rent	107,200	107,200	96,534	(10,666)	76,419
Facility rental	35,831	35,831	36,374	543	37,536
Reports	1,100	1,100	2,369	1,269	1,602
Total charges for services	1,178,050	1,178,050	1,081,405	(96,645)	1,193,113

CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues (continued)					
Fines and forfeits	–	–	1,652	1,652	996
Investment income					
Interest earnings	102,700	102,700	153,053	50,353	152,608
Amortization – premium/discount	–	–	(66,083)	(66,083)	(8,690)
Unrealized gain (loss)	–	–	99,850	99,850	116,516
Total investment income	102,700	102,700	186,820	84,120	260,434
Miscellaneous					
Other	29,766	29,766	82,535	52,769	56,864
Contributions and donations	–	–	14,734	14,734	18,403
Developers’ agreements	130,000	130,000	62,062	(67,938)	119,021
Total miscellaneous	159,766	159,766	159,331	(435)	194,288
Total revenues	13,985,498	13,985,498	16,022,005	2,036,507	13,573,926
Expenditures					
Current expenditures					
General government					
Mayor and City Council					
Personal services	66,857	66,857	61,277	(5,580)	63,060
Supplies	300	300	170	(130)	311
Other services and charges	8,350	8,350	4,240	(4,110)	6,773
Total Mayor and City Council	75,507	75,507	65,687	(9,820)	70,144
Ordinance					
Other services and charges	7,500	7,500	5,440	(2,060)	4,025
Administration					
Personal services	274,743	274,743	243,543	(31,200)	464,153
Supplies	6,500	6,500	7,176	676	6,983
Other services and charges	59,230	59,230	67,020	7,790	57,863
Total administration	340,473	340,473	317,739	(22,734)	528,999
Boards and commissions					
Personal services	10,765	10,765	5,306	(5,459)	8,719
Other services and charges	1,000	1,000	201	(799)	–
Total boards and commissions	11,765	11,765	5,507	(6,258)	8,719

CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
City Clerk					
Personal services	115,093	115,093	115,545	452	81,824
Supplies	–	–	76	76	179
Other services and charges	1,190	1,190	1,540	350	1,977
Total City Clerk	116,283	116,283	117,161	878	83,980
Election					
Personal services	28,231	28,231	43,468	15,237	–
Supplies	3,000	3,000	8,991	5,991	–
Other services and charges	3,000	3,000	5,934	2,934	–
Total election	34,231	34,231	58,393	24,162	–
Finance					
Personal services	502,507	502,507	481,376	(21,131)	465,968
Supplies	1,450	1,450	1,533	83	485
Other services and charges	16,615	19,655	16,989	(2,666)	14,122
Total finance	520,572	523,612	499,898	(23,714)	480,575
Auditing					
Other services and charges	35,475	35,475	31,184	(4,291)	37,564
Assessing					
Other services and charges	218,704	218,704	216,236	(2,468)	202,418
Legal services					
Other services and charges	180,000	180,000	193,279	13,279	152,275
Personnel					
Personal services	262,440	262,440	269,685	7,245	154,461
Supplies	250	250	46	(204)	69
Other services and charges	44,200	44,200	33,475	(10,725)	32,588
Total personnel	306,890	306,890	303,206	(3,684)	187,118
Communications					
Personal services	113,981	113,981	111,308	(2,673)	106,378
Supplies	200	200	–	(200)	–
Other services and charges	66,150	66,150	38,736	(27,414)	20,183
Total communications	180,331	180,331	150,044	(30,287)	126,561



CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
General government (continued)					
Community development					
Personal services	315,151	315,151	304,334	(10,817)	299,211
Supplies	5,450	5,450	3,536	(1,914)	1,530
Other services and charges	59,320	59,320	142,284	82,964	27,449
Total community development	379,921	379,921	450,154	70,233	328,190
Technology					
Personal services	211,666	138,152	141,468	3,316	150,439
Supplies	34,376	34,376	45,693	11,317	43,069
Other services and charges	130,633	224,147	197,960	(26,187)	134,730
Total technology	376,675	396,675	385,121	(11,554)	328,238
Buildings and plant					
Personal services	98,827	48,826	61,740	12,914	95,013
Supplies	8,000	8,000	7,762	(238)	8,388
Other services and charges	392,271	392,271	411,129	18,858	357,849
Total buildings and plant	499,098	449,097	480,631	31,534	461,250
Total general government	3,283,425	3,256,464	3,279,680	23,216	3,000,056
Public safety					
Police					
Personal services	4,270,175	4,270,175	4,543,382	273,207	4,126,264
Supplies	177,757	184,079	181,722	(2,357)	145,362
Other services and charges	400,978	400,978	286,851	(114,127)	230,468
Total police	4,848,910	4,855,232	5,011,955	156,723	4,502,094
Fire and rescue					
Personal services	744,129	744,129	759,660	15,531	691,220
Supplies	115,260	115,260	91,930	(23,330)	91,345
Other services and charges	179,051	179,051	144,264	(34,787)	154,190
Total fire and rescue	1,038,440	1,038,440	995,854	(42,586)	936,755
Building inspections					
Personal services	549,272	621,273	614,709	(6,564)	562,078
Supplies	17,250	17,250	8,444	(8,806)	14,713
Other services and charges	37,791	37,791	23,013	(14,778)	17,675
Total building inspections	604,313	676,314	646,166	(30,148)	594,466
Emergency management					
Other services and charges	14,875	14,875	10,335	(4,540)	9,947

CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2020

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

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Public safety (continued)					
Animal control					
Other services and charges	28,800	28,800	29,195	395	28,200
Total public safety	6,535,338	6,613,661	6,693,505	79,844	6,071,462
Public works					
Engineering					
Personal services	341,628	341,628	316,764	(24,864)	303,932
Supplies	10,600	10,600	8,004	(2,596)	6,693
Other services and charges	26,862	26,862	31,353	4,491	37,671
Total engineering	379,090	379,090	356,121	(22,969)	348,296
Central garage					
Personal services	244,744	244,744	232,956	(11,788)	225,463
Supplies	184,525	184,525	177,965	(6,560)	144,447
Other services and charges	53,800	53,800	59,315	5,515	42,934
Total central garage	483,069	483,069	470,236	(12,833)	412,844
Streets					
Personal services	468,818	484,218	470,933	(13,285)	422,174
Supplies	333,601	333,601	208,033	(125,568)	332,140
Other services and charges	535,867	535,867	494,089	(41,778)	438,729
Total streets	1,338,286	1,353,686	1,173,055	(180,631)	1,193,043
Total public works	2,200,445	2,215,845	1,999,412	(216,433)	1,954,183
Culture and recreation					
Recreation					
Personal services	351,207	351,207	249,411	(101,796)	304,211
Supplies	87,052	87,052	57,188	(29,864)	103,307
Other services and charges	35,800	35,800	32,175	(3,625)	26,050
Total recreation	474,059	474,059	338,774	(135,285)	433,568
Parks					
Personal services	1,107,555	1,118,055	863,292	(254,763)	990,650
Supplies	183,755	183,755	123,499	(60,256)	143,591
Other services and charges	331,761	369,231	240,858	(128,373)	259,408
Total parks	1,623,071	1,671,041	1,227,649	(443,392)	1,393,649

CITY OF PRIOR LAKE

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance With Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (continued)					
Current expenditures (continued)					
Culture and recreation (continued)					
Libraries					
Supplies	5,000	5,000	2,839	(2,161)	10,449
Other services and charges	64,073	64,073	59,510	(4,563)	51,598
Total libraries	69,073	69,073	62,349	(6,724)	62,047
Total culture and recreation	2,166,203	2,214,173	1,628,772	(585,401)	1,889,264
Total current expenditures	14,185,411	14,300,143	13,601,369	(698,774)	12,914,965
Capital outlay					
General government					
Technology	61,819	70,549	85,525	14,976	74,206
Public safety					
Police	–	–	46,544	46,544	3,588
Fire	–	–	–	–	7,595
Public works					
Streets	–	–	–	–	7,485
Buildings and plant	6,500	6,500	12,239	5,739	7,722
Total capital outlay	68,319	77,049	144,308	67,259	100,596
Total expenditures	14,253,730	14,377,192	13,745,677	(631,515)	13,015,561
Excess (deficiency) of revenues over expenditures	(268,232)	(391,694)	2,276,328	2,668,022	558,365
Other financing sources (uses)					
Transfers in	470,000	470,000	470,000	–	456,300
Transfers out	(403,018)	(438,018)	(538,018)	(100,000)	(334,769)
Sale of assets	–	–	2,603	2,603	9,877
Total other financing sources (uses)	66,982	31,982	(65,415)	(97,397)	131,408
Net change in fund balances	\$ (201,250)	\$ (359,712)	2,210,913	\$ 2,570,625	689,773
Fund balances					
Beginning of year			7,903,175		7,213,402
End of year			\$ 10,114,088		\$ 7,903,175

CITY OF PRIOR LAKE

Debt Service Fund  
Balance Sheet by Account  
as of December 31, 2020

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
<b>Assets</b>				
Cash and investments	\$ 20,163	\$ 212	\$ 2,037	\$ 29,949
Receivables				
Accounts	143	-	-	127
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Other (Green Acres)	-	-	-	-
Due from other governmental agencies	2,490	-	-	-
Total assets	<u>\$ 22,796</u>	<u>\$ 212</u>	<u>\$ 2,037</u>	<u>\$ 30,076</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 251	\$ 126	\$ -	\$ 128
<b>Deferred inflows of resources</b>				
Unavailable revenue from special assessments	-	-	-	-
<b>Fund balances</b>				
Restricted for debt service	<u>22,545</u>	<u>86</u>	<u>2,037</u>	<u>29,948</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,796</u>	<u>\$ 212</u>	<u>\$ 2,037</u>	<u>\$ 30,076</u>

<u>Fish Point</u>	<u>CR 12 and 2010 Reconstruction</u>	<u>Boudin Phase I</u>	<u>Boudin Phase II</u>	<u>Welcome, CR 12, Sunset</u>	<u>CSAH 44, Crest, Maplewood</u>
\$ -	\$ -	\$ 90,819	\$ 140,339	\$ 373,924	\$ 199,967
-	-	1,475	1,041	3,945	252
-	-	-	-	663	-
30,112	-	30,084	37,079	300,203	20,308
451,350	-	-	-	-	-
-	-	628	679	638	601
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ 123,006</u>	<u>\$ 179,138</u>	<u>\$ 679,373</u>	<u>\$ 221,128</u>
\$ -	\$ -	\$ 128	\$ 126	\$ 251	\$ 251
481,462	-	30,084	37,079	300,866	20,308
-	-	92,794	141,933	378,256	200,569
<u>\$ 481,462</u>	<u>\$ -</u>	<u>\$ 123,006</u>	<u>\$ 179,138</u>	<u>\$ 679,373</u>	<u>\$ 221,128</u>

CITY OF PRIOR LAKE

Debt Service Fund  
 Balance Sheet by Account (continued)  
 as of December 31, 2020

	<u>GESP Lease</u>	<u>Street Reconstruction 2015</u>	<u>TH 13, 150th Street 2015 Reconstruction</u>	<u>Manitou Road Improvement</u>
<b>Assets</b>				
Cash and investments	\$ 43,899	\$ 175,498	\$ 549,309	\$ 133,937
Receivables				
Accounts	2,373	893	(311)	(142)
Special assessments				
Delinquent	-	11,459	-	3,621
Deferred	16,504	517,239	-	125,771
Other (Green Acres)	-	-	-	-
Due from other governmental agencies	1,642	-	842	1,062
Total assets	<u>\$ 64,418</u>	<u>\$ 705,089</u>	<u>\$ 549,840</u>	<u>\$ 264,249</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ 251	\$ 251	\$ 84
Deferred inflows of resources				
Unavailable revenue from special assessments	16,504	528,699	-	129,392
Fund balances				
Restricted for debt service	47,914	176,139	549,589	134,773
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,418</u>	<u>\$ 705,089</u>	<u>\$ 549,840</u>	<u>\$ 264,249</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>	<u>2018 Street Overlay</u>
\$ 9,331	\$ 14,310	\$ 541,867	\$ 5,665	\$ 348,868	\$ 12,242
(5)	(9)	1	(3)	(276)	(8)
–	–	4,172	–	914	–
–	–	586,093	–	418,774	–
–	–	–	–	–	–
<u>157</u>	<u>254</u>	<u>1,613</u>	<u>5</u>	<u>2,569</u>	<u>23</u>
<u>\$ 9,483</u>	<u>\$ 14,555</u>	<u>\$ 1,133,746</u>	<u>\$ 5,667</u>	<u>\$ 770,849</u>	<u>\$ 12,257</u>
\$ 84	\$ 84	\$ 188	\$ 63	\$ 188	\$ 63
–	–	590,265	–	419,688	–
<u>9,399</u>	<u>14,471</u>	<u>543,293</u>	<u>5,604</u>	<u>350,973</u>	<u>12,194</u>
<u>\$ 9,483</u>	<u>\$ 14,555</u>	<u>\$ 1,133,746</u>	<u>\$ 5,667</u>	<u>\$ 770,849</u>	<u>\$ 12,257</u>

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CITY OF PRIOR LAKE

Debt Service Fund  
 Balance Sheet by Account (continued)  
 as of December 31, 2020

	2019 Street <u>Improvements</u>	2019 Street <u>Overlay</u>	<u>Total</u>
Assets			
Cash and investments	\$ 121,139	\$ -	\$ 2,813,475
Receivables			
Accounts	(54)	-	9,442
Special assessments			
Delinquent	-	-	20,829
Deferred	10,557	-	2,092,724
Other (Green Acres)	-	-	451,350
Due from other governmental agencies	<u>841</u>	<u>-</u>	<u>14,044</u>
Total assets	<u>\$ 132,483</u>	<u>\$ -</u>	<u>\$ 5,401,864</u>
Liabilities			
Accounts and contracts payable	\$ 252	\$ -	\$ 2,769
Deferred inflows of resources			
Unavailable revenue from special assessments	10,557	-	2,564,904
Fund balances			
Restricted for debt service	<u>121,674</u>	<u>-</u>	<u>2,834,191</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 132,483</u>	<u>\$ -</u>	<u>\$ 5,401,864</u>

CITY OF PRIOR LAKE

Debt Service Fund  
 Schedule of Revenues, Expenditures,  
 and Changes in Fund Balances by Account  
 Year Ended December 31, 2020

	City Hall 2005	Fire Station #2	Water Treatment Plant	Tax Increment 2004
<b>Revenues</b>				
Taxes	\$ 663,030	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Investment income	3,179	-	-	988
Total revenues	<u>666,209</u>	<u>-</u>	<u>-</u>	<u>988</u>
<b>Expenditures</b>				
Debt service				
Principal	515,000	160,000	400,000	25,000
Interest and other	148,902	81,740	153,325	3,934
Total expenditures	<u>663,902</u>	<u>241,740</u>	<u>553,325</u>	<u>28,934</u>
Excess (deficiency) of revenues over expenditures	2,307	(241,740)	(553,325)	(27,946)
<b>Other financing sources (uses)</b>				
Transfers in	-	241,768	554,050	28,895
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>241,768</u>	<u>554,050</u>	<u>28,895</u>
Net change in fund balances	2,307	28	725	949
<b>Fund balances</b>				
Beginning of year	<u>20,238</u>	<u>58</u>	<u>1,312</u>	<u>28,999</u>
End of year	<u>\$ 22,545</u>	<u>\$ 86</u>	<u>\$ 2,037</u>	<u>\$ 29,948</u>

Fish Point	CR 12 and 2010 Reconstruction	Boudin Phase I	Boudin Phase II	Welcome, CR 12, Sunset	CSAH 44, Crest, Maplewood
\$ -	\$ 124,241	\$ 167,295	\$ 180,826	\$ 169,755	\$ 159,915
-	14,288	32,551	28,640	85,474	6,095
-	1,912	5,399	7,521	16,076	10,422
-	140,441	205,245	216,987	271,305	176,432
-	130,000	220,000	240,000	325,000	225,000
-	4,160	11,374	16,490	31,526	26,547
-	134,160	231,374	256,490	356,526	251,547
-	6,281	(26,129)	(39,503)	(85,221)	(75,115)
-	-	-	-	-	-
-	(45,645)	-	-	-	-
-	(45,645)	-	-	-	-
-	(39,364)	(26,129)	(39,503)	(85,221)	(75,115)
-	39,364	118,923	181,436	463,477	275,684
\$ -	\$ -	\$ 92,794	\$ 141,933	\$ 378,256	\$ 200,569

CITY OF PRIOR LAKE

Debt Service Fund  
 Schedule of Revenues, Expenditures,  
 and Changes in Fund Balances by Account (continued)  
 Year Ended December 31, 2020

	<u>GESP Lease</u>	<u>Street Reconstruction 2015</u>	<u>TH 13, 150th Street 2015 Reconstruction</u>	<u>Manitou Road Improvement</u>
Revenues				
Taxes	\$ 300,147	\$ –	\$ 124,241	\$ 76,267
Special assessments	–	26,682	117,777	26,715
Investment income	203	12,934	15,484	5,741
Total revenues	<u>300,350</u>	<u>39,616</u>	<u>257,502</u>	<u>108,723</u>
Expenditures				
Debt service				
Principal	269,126	–	210,000	110,000
Interest and other	31,488	117,571	21,476	15,483
Total expenditures	<u>300,614</u>	<u>117,571</u>	<u>231,476</u>	<u>125,483</u>
Excess (deficiency) of revenues over expenditures	(264)	(77,955)	26,026	(16,760)
Other financing sources (uses)				
Transfers in	45,645	–	110,000	–
Transfers out	–	(110,000)	–	–
Total other financing sources (uses)	<u>45,645</u>	<u>(110,000)</u>	<u>110,000</u>	<u>–</u>
Net change in fund balances	45,381	(187,955)	136,026	(16,760)
Fund balances				
Beginning of year	<u>2,533</u>	<u>364,094</u>	<u>413,563</u>	<u>151,533</u>
End of year	<u>\$ 47,914</u>	<u>\$ 176,139</u>	<u>\$ 549,589</u>	<u>\$ 134,773</u>

TH 13, 150th Street 2016 Reconstruction	Equipment 2016	Cates, Balsam, Franklin Trail, Sycamore Trail, Maintenance Center Roof Improvements 2017	2017 Mill and Overlay Improvements	2018 Franklin, Huron, Woodside	2018 Street Overlay
\$ 41,824	\$ 67,656	\$ 325,980	\$ 1,230	\$ 683,942	\$ 6,151
-	-	160,830	-	115,781	-
414	658	20,131	156	11,821	234
<u>42,238</u>	<u>68,314</u>	<u>506,941</u>	<u>1,386</u>	<u>811,544</u>	<u>6,385</u>
35,000	60,000	420,000	70,000	525,000	95,000
5,084	4,884	69,952	4,462	208,988	16,262
<u>40,084</u>	<u>64,884</u>	<u>489,952</u>	<u>74,462</u>	<u>733,988</u>	<u>111,262</u>
2,154	3,430	16,989	(73,076)	77,556	(104,877)
-	-	-	74,400	-	111,200
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>74,400</u>	<u>-</u>	<u>111,200</u>
2,154	3,430	16,989	1,324	77,556	6,323
7,245	11,041	526,304	4,280	273,417	5,871
<u>\$ 9,399</u>	<u>\$ 14,471</u>	<u>\$ 543,293</u>	<u>\$ 5,604</u>	<u>\$ 350,973</u>	<u>\$ 12,194</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, 2020

	2019 Street Improvements	2019 Street Overlay	Total
Revenues			
Taxes	\$ 223,880	\$ -	\$ 3,316,380
Special assessments	1,794	-	616,627
Investment income	4,255	-	117,528
Total revenues	<u>229,929</u>	<u>-</u>	<u>4,050,535</u>
Expenditures			
Debt service			
Principal	100,000	65,000	4,199,126
Interest and other	122,350	29,333	1,125,331
Total expenditures	<u>222,350</u>	<u>94,333</u>	<u>5,324,457</u>
Excess (deficiency) of revenues over expenditures	7,579	(94,333)	(1,273,922)
Other financing sources (uses)			
Transfers in	-	94,333	1,260,291
Transfers out	-	-	(155,645)
Total other financing sources (uses)	<u>-</u>	<u>94,333</u>	<u>1,104,646</u>
Net change in fund balances	7,579	-	(169,276)
Fund balances			
Beginning of year	<u>114,095</u>	<u>-</u>	<u>3,003,467</u>
End of year	<u>\$ 121,674</u>	<u>\$ -</u>	<u>\$ 2,834,191</u>

CITY OF PRIOR LAKE

Internal Service Funds  
 Combining Statement of Net Position  
 as of December 31, 2020

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Assets			
Cash and investments	\$ 503,080	\$ 27,886	\$ 530,966
Receivables			
Accounts	<u>2,750</u>	<u>284</u>	<u>3,034</u>
Total assets	<u>\$ 505,830</u>	<u>\$ 28,170</u>	<u>\$ 534,000</u>
Current liabilities			
Current portion of compensated absences payable	\$ 360,991	\$ -	\$ 360,991
Noncurrent liabilities			
Compensated absences payable	<u>587,817</u>	<u>-</u>	<u>587,817</u>
Total liabilities	948,808	-	948,808
Net position			
Unrestricted	<u>(442,978)</u>	<u>28,170</u>	<u>(414,808)</u>
Total liabilities and net position	<u>\$ 505,830</u>	<u>\$ 28,170</u>	<u>\$ 534,000</u>



CITY OF PRIOR LAKE

Internal Service Funds  
 Combining Statement of Revenues, Expenses, and Changes in Net Position  
 Year Ended December 31, 2020

	<u>Severance Compensation</u>	<u>Insurance</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 32,368	\$ -	\$ 32,368
Operating expenses			
Personal services	<u>107,562</u>	<u>105,000</u>	<u>212,562</u>
Operating income (loss)	(75,194)	(105,000)	(180,194)
Nonoperating revenues			
Investment income	13,163	3,741	16,904
Other income	<u>-</u>	<u>24,046</u>	<u>24,046</u>
Total nonoperating revenues	13,163	27,787	40,950
Income (loss) before transfers	(62,031)	(77,213)	(139,244)
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Change in net position	37,969	(77,213)	(39,244)
Net position			
Beginning of year	<u>(480,947)</u>	<u>105,383</u>	<u>(375,564)</u>
End of year	<u><u>\$ (442,978)</u></u>	<u><u>\$ 28,170</u></u>	<u><u>\$ (414,808)</u></u>

CITY OF PRIOR LAKE

Internal Service Funds  
 Combining Statement of Cash Flows  
 Year Ended December 31, 2020

	Severance Compensation	Insurance	Total
Cash flows from operating activities			
Cash received from customers	\$ 32,492	\$ –	\$ 32,492
Cash payments to employees	215	(105,000)	(104,785)
Other income	–	23,989	23,989
	<u>32,707</u>	<u>(81,011)</u>	<u>(48,304)</u>
Net cash flows from operating activities			
Cash flows from noncapital financing activities			
Transfers in	100,000	–	100,000
Cash flows from investing activities			
Interest received on cash and investments	13,163	3,741	16,904
	<u>145,870</u>	<u>(77,270)</u>	<u>68,600</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents, January 1	<u>357,210</u>	<u>105,156</u>	<u>462,366</u>
Cash and cash equivalents, December 31	<u>\$ 503,080</u>	<u>\$ 27,886</u>	<u>\$ 530,966</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (75,194)	\$ (105,000)	\$ (180,194)
Other income	–	24,046	24,046
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
(Increase) decrease in assets			
Accounts receivable	124	(57)	67
Increase (decrease) in liabilities			
Compensated absences payable	107,777	–	107,777
	<u>32,707</u>	<u>(81,011)</u>	<u>(48,304)</u>
Net cash flows from operating activities			

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, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
<b>Revenues</b>			
Taxes	\$ 14,366,193	\$ 13,536,829	6.1%
Franchise taxes	670,917	639,783	4.9%
Special assessments	936,363	1,079,348	(13.2%)
Licenses and permits	900,601	992,096	(9.2%)
Intergovernmental	4,839,981	4,143,994	16.8%
Charges for services	2,316,988	3,364,364	(31.1%)
Fines and forfeits	1,652	996	65.9%
Interest on investments	773,613	1,073,558	(27.9%)
Miscellaneous	250,514	343,951	(27.2%)
	<u>\$ 25,056,822</u>	<u>\$ 25,174,919</u>	(0.5%)
Per capita	\$ 920	\$ 938	(1.8%)
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 3,284,404	\$ 3,000,299	9.5%
Public safety	6,706,401	6,186,859	8.4%
Public works	1,999,412	1,954,183	2.3%
Culture and recreation	1,639,924	1,938,999	(15.4%)
Economic development	170,354	175,749	(3.1%)
Capital outlay	4,383,058	10,089,051	(56.6%)
<b>Debt service</b>			
Principal	4,199,126	4,193,512	0.1%
Interest and other charges	1,125,331	1,222,378	(7.9%)
	<u>\$ 23,508,010</u>	<u>\$ 28,761,030</u>	(18.3%)
Per capita	\$ 864	\$ 1,071	(19.4%)
	<u>\$ 33,100,000</u>	<u>\$ 37,030,000</u>	(10.6%)
Per capita	\$ 1,216	\$ 1,379	(11.8%)
	<u>\$ 10,114,088</u>	<u>\$ 7,903,175</u>	28.0%
Per capita	\$ 372	\$ 294	26.2%

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) 447-9842.

CITY OF PRIOR LAKE

Combined Schedule of Indebtedness  
Year Ended December 31, 2020

	Interest Rate		Issue Date	Final Maturity Date
Bonded indebtedness				
General obligation special assessment bonds				
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 2021	
				Principal	Interest
\$ 1,235,000	\$ 130,000	\$ (130,000)	\$ –	\$ –	\$ –
2,130,000	445,000	(220,000)	225,000	225,000	5,625
2,280,000	730,000	(240,000)	490,000	245,000	11,148
3,240,000	1,290,000	(325,000)	965,000	325,000	23,955
2,170,000	1,170,000	(225,000)	945,000	230,000	21,300
4,640,000	4,640,000	–	4,640,000	–	115,825
160,000	75,000	(25,000)	50,000	25,000	1,088
1,105,000	770,000	(110,000)	660,000	110,000	13,200
4,135,000	3,330,000	(435,000)	2,895,000	445,000	59,963
4,465,000	4,035,000	(490,000)	3,545,000	455,000	159,100
1,850,000	1,850,000	(150,000)	1,700,000	205,000	85,000
<u>27,410,000</u>	<u>18,465,000</u>	<u>(2,350,000)</u>	<u>16,115,000</u>	<u>2,265,000</u>	<u>496,204</u>
290,000	135,000	(25,000)	110,000	25,000	3,175
3,500,000	2,820,000	(160,000)	2,660,000	175,000	78,136
9,825,000	6,440,000	(515,000)	5,925,000	545,000	137,858
2,330,000	900,000	(185,000)	715,000	290,000	15,653
760,000	490,000	(95,000)	395,000	95,000	7,900
370,000	275,000	(55,000)	220,000	55,000	4,400
1,165,000	1,045,000	(130,000)	915,000	110,000	41,100
215,000	215,000	(15,000)	200,000	20,000	10,000
<u>18,165,000</u>	<u>12,185,000</u>	<u>(1,155,000)</u>	<u>11,030,000</u>	<u>1,290,000</u>	<u>295,047</u>
5,360,000	5,210,000	(75,000)	5,135,000	75,000	131,500
1,640,000	1,035,000	(325,000)	710,000	345,000	14,200
2,640,000	2,430,000	(240,000)	2,190,000	240,000	99,300
<u>9,640,000</u>	<u>8,675,000</u>	<u>(640,000)</u>	<u>8,035,000</u>	<u>660,000</u>	<u>245,000</u>
<u>\$ 55,505,000</u>	<u>\$ 39,460,000</u>	<u>\$ (4,170,000)</u>	<u>\$ 35,290,000</u>	<u>\$ 4,240,000</u>	<u>\$ 1,039,426</u>

CITY OF PRIOR LAKE

Bond Schedules  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation special assessment bonds</b>				
\$2,130,000 General Obligation Improvement Bonds, Series 2011A	08/31/2011	2.50 %	12/15/2021	\$ 225,000
\$2,280,000 General Obligation Improvement Bonds, Series 2011B	12/14/2011	2.50 %	12/15/2021	245,000
		3.00	12/15/2022	<u>245,000</u>
Total				<u>490,000</u>
\$3,240,000 General Obligation Improvement Bonds, Series 2013A	08/15/2013	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>965,000</u>
\$2,170,000 General Obligation Improvement Bonds, Series 2014A	09/25/2014	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>945,000</u>



CITY OF PRIOR LAKE

Bond Schedules (continued)  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation special assessment bonds (continued)</b>				
\$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	2.10 %	12/15/2021	25,000
		2.25	12/15/2022	25,000
Total				50,000
\$1,105,000 General Obligation				
Improvement Bonds, Series 2016A	05/01/2016	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				660,000
\$4,135,000 General Obligation				
Improvement Bonds, Series 2017A	06/29/2017	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				2,895,000

CITY OF PRIOR LAKE

Bond Schedules (continued)  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation special assessment bonds (continued)</b>				
\$4,465,000 General Obligation				
Improvement Bonds, Series 2018A	08/15/2018	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				3,545,000
\$1,850,000 General Obligation				
Improvement Bonds, Series 2019A	06/27/2019	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				1,700,000
Total general obligation special assessment bonds				\$ 16,115,000
<b>General obligation tax increment bonds</b>				
\$290,000 Tax Increment Refunding				
Bonds, Series 2011A	08/31/2011	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				\$ 110,000

CITY OF PRIOR LAKE

Bond Schedules (continued)  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation bonds</b>				
\$3,500,000 General Obligation Improvement Bonds, Series 2011B	12/14/2011	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				2,660,000
\$9,825,000 General Obligation Capital Improvement Refunding Bonds of 2012A	03/13/2012	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				5,925,000
\$2,330,000 General Obligation Street Reconstruction Bonds, Series 2015B	05/14/2015	2.10 %	12/15/2021	290,000
		2.25	12/15/2022	425,000
Total				715,000
\$760,000 General Obligation Street Reconstruction Bonds, Series 2016A	05/01/2016	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				395,000

CITY OF PRIOR LAKE

Bond Schedules (continued)  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation bonds (continued)</b>				
\$370,000 General Obligation				
Improvement Bonds of 2017A				
	06/29/2017	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>220,000</u>
\$1,165,000 General Obligation				
Improvement Bonds, Series 2018A				
	08/15/2018	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>915,000</u>
\$215,000 General Obligation				
Improvement Bonds, Series 2019A				
	06/27/2019	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>200,000</u>
Total general obligation bonds				<u>\$ 11,030,000</u>

CITY OF PRIOR LAKE

Bond Schedules (continued)  
December 31, 2020

	Issue Date	Interest Rate	Final Maturity Date	Principal
<b>General obligation revenue bonds</b>				
\$5,360,000 General Obligation Improvement Refunding Bonds, Series 2015A	05/14/2015	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	640,000
Total			<u>5,135,000</u>	
\$1,640,000 General Obligation Improvement Refunding Bonds, Series 2016A	05/01/2016	2.00 %	12/15/2021	345,000
		2.00	12/15/2022	365,000
				<u>710,000</u>
Total			<u>710,000</u>	
\$2,640,000 General Obligation Improvement Bonds, Series 2018A	08/15/2018	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	320,000
				<u>2,190,000</u>
Total			<u>2,190,000</u>	
Total general obligation revenue bonds			<u>\$ 8,035,000</u>	

CITY OF PRIOR LAKE

Debt Service Requirements  
December 31, 2020

Year	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,290,000	\$ 295,047	\$ 2,265,000	\$ 496,204
2022	1,450,000	265,802	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	\$ 11,030,000	\$ 1,616,096	\$ 16,115,000	\$ 2,368,962

General Obligation Tax Increment Bonds		General Obligation Revenue Bonds	
Principal	Interest	Principal	Interest
\$ 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>\$ 110,000</u>	<u>\$ 8,425</u>	<u>\$ 8,035,000</u>	<u>\$ 1,500,825</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
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
2020	13,326,387	13,260,149	99.50	32,451	13,292,600	99.75

\*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
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
2020	670,146	653,522	97.52	20,682	674,204	100.61

\*\*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>2018</u>	<u>2019</u>	<u>2020</u>
Taxable market value	\$ 3,261,128,200	\$ 3,447,986,900	\$ 3,713,161,300
Tax levy	\$ 12,077,538	\$ 12,778,035	\$ 13,601,137
Tax capacity, net of fiscal disparities, and tax increment	\$ 33,172,374	\$ 35,200,266	\$ 37,983,304
Tax capacity rate	33.040%	33.020%	32.496%
Market value rate	0.007%	0.007%	0.007%
EDA tax capacity rate	0.390%	0.395%	0.840%

CITY OF PRIOR LAKE

Key Financial Indicators  
Prior Three Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Current population	26,207	26,849	27,222
Tax capacity, net of fiscal disparities, and tax increment	\$ 33,172,374	\$ 35,200,266	\$ 37,983,304
Percent of current property taxes collected	99.31%	99.37%	99.50%
City revenues per capita (governmental funds)	\$ 869	\$ 938	\$ 921
City expenditures per capita (governmental funds)	\$ 1,013	\$ 1,071	\$ 862
Ratio of bonded debt to tax capacity	108.36%	103.88%	88.10%
Bond rating	AA+ (S&P)	AA+ (S&P)	N/A

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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CITY OF PRIOR LAKE

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Entity Identification Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct Program			
Bulletproof Vest Partnership Program	16.607		\$ 3,754
<b>U.S. Department of Transportation</b>			
Passed through the City of Shakopee			
State and Community Highway Safety	20.600		2,640
<b>U.S. Department of Treasury</b>			
Passed through the Minnesota Department of Management and Budget			
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	1,969,018
<b>U.S. Election Assistance Commission</b>			
Passed through Scott County			
COVID-19 – HAVA Election Security Grants	90.404		<u>13,304</u>
Total federal awards			<u><u>\$ 1,988,716</u></u>

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the City’s basic financial statements.

Note 2: Unless noted in the table above, the pass-through entities use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The City did not elect to use the 10 percent de minimis indirect cost rate.

Note 4: Unaudited Disclosure – The City received donated personal protective equipment (PPE) with an estimated value of less than \$1,000. The City was unable to determine whether federal dollars were used to purchase the donated PPE.

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Victoria L. Holinka, CPA/CMA  
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Kalen T. Karnowski, CPA

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported 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 17, 2021





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

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the City of Prior Lake, Minnesota's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

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

**AUDITOR'S RESPONSIBILITY**

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

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

**OPINION ON EACH MAJOR FEDERAL PROGRAM**

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

(continued)

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

### PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota  
May 17, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2021.

**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 17, 2021

CITY OF PRIOR LAKE

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor's report is issued?   X   Unmodified  
       Qualified  
       Adverse  
       Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to the financial statements noted?        Yes   X   No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Treasury – COVID-19 – Coronavirus Relief Fund Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Programs tested as major programs:

Program or Cluster(s)	CFDA No.
U.S. Department of Treasury – COVID-19 – Coronavirus Relief Fund	21.019

Threshold for distinguishing between type A and B programs.   \$ 750,000  

Does the auditee qualify as a low-risk auditee?        Yes   X   No

CITY OF PRIOR LAKE

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

None.

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