

City of Lonsdale, Minnesota

Audited Financial Statements

December 31, 2020

**SCHLENNER
WENNER & CO.**
CPAs

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**INTRODUCTORY
SECTION**

**CITY OF LONSDALE, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CITY COUNCIL

Term Expires

Tim Rud	Mayor	December 31, 2021
Steve Cherney	Council Member	December 31, 2021
Cindy Furrer	Council Member	December 31, 2023
Kevin Kodada	Council Member	December 31, 2023
Scott Pelava	Council Member	December 31, 2021

CITY OFFICIALS

Joel Erickson	City Administrator
Tami Brokl	City Treasurer

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lonsdale, 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 Lonsdale, 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lonsdale, Minnesota as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 Budgetary Comparison Schedule, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City Pension Contributions, and Schedule of Changes in Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, and schedule of indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining nonmajor fund financial statements, and schedule of indebtedness 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated May 12, 2021, on our consideration of the City of Lonsdale's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

May 12, 2021

BASIC FINANCIAL STATEMENTS

CITY OF LONSDALE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 3,643,012	\$ 4,510,405	\$ 8,153,417
Cash with Fiscal Agent	866,829	-	866,829
Property Taxes Receivable	33,153	-	33,153
Assessments Receivable	2,523,919	-	2,523,919
Accounts Receivable	9,446	158,434	167,880
Inventory	-	222,984	222,984
Prepays	81,440	31,395	112,835
Noncurrent Assets:			
Capital Assets Not Being Depreciated	3,798,473	352,081	4,150,554
Capital Assets Being Depreciated (Net)	12,520,635	9,666,710	22,187,345
Loans Receivable (Net)	60,057	-	60,057
Net Pension Asset	543,337	-	543,337
TOTAL ASSETS	24,080,301	14,942,009	39,022,310
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	432,995	57,044	490,039
LIABILITIES			
Accounts Payable	195,388	127,269	322,657
Salaries Payable	18,960	10,564	29,524
Accrued Interest Payable	133,484	33,206	166,690
Construction Contracts Payable	81,016	-	81,016
Deposits Payable	105,886	-	105,886
Sales Tax Payable	-	18,814	18,814
Noncurrent Liabilities:			
Amount Due Within One Year	1,475,000	622,000	2,097,000
Amount Due After One Year	9,712,118	2,938,463	12,650,581
Net Pension Liability	922,919	393,810	1,316,729
TOTAL LIABILITIES	12,644,771	4,144,126	16,788,897
DEFERRED INFLOWS OF RESOURCES			
Pensions	410,318	15,553	425,871
NET POSITION			
Net Investment in Capital Assets	5,198,626	6,506,378	11,705,004
Restricted	4,539,305	-	4,539,305
Unrestricted	1,720,276	4,332,996	6,053,272
TOTAL NET POSITION	\$ 11,458,207	\$ 10,839,374	\$ 22,297,581

**CITY OF LONSDALE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 934,305	\$ 241,574	\$ 52,664	\$ -	\$ (640,067)	\$ -	\$ (640,067)
Public Safety	1,040,409	183,355	169,606	-	(687,448)	-	(687,448)
Public Works	778,584	6,567	3,276	800,657	31,916	-	31,916
Culture and Recreation	452,524	1,917	29,468	240,000	(181,139)	-	(181,139)
Economic Development	135,042	-	245,000	-	109,958	-	109,958
Debt Service	332,324	-	-	-	(332,324)	-	(332,324)
Total Governmental Activities	3,673,188	433,413	500,014	1,040,657	(1,699,104)	-	(1,699,104)
Business-Type Activities:							
Water	734,712	695,628	804	-	-	(38,280)	(38,280)
Sewer	775,917	1,048,040	607	-	-	272,730	272,730
Liquor	1,947,527	2,110,860	189	-	-	163,522	163,522
Total Business-Type Activities	3,458,156	3,854,528	1,600	-	-	397,972	397,972
TOTALS	\$ 7,131,344	\$ 4,287,941	\$ 501,614	\$ 1,040,657	(1,699,104)	397,972	(1,301,132)
General Revenues:							
Taxes					2,091,981	-	2,091,981
Tax Increment					73,766	-	73,766
Franchise and Other Tax					55,129	-	55,129
Intergovernmental					496,957	-	496,957
Investment Income					20,211	4,476	24,687
Gain (Loss) on Sale of Assets					10,858	-	10,858
Miscellaneous					113,021	14,062	127,083
Total General Revenues					2,861,923	18,538	2,880,461
Capital Asset Transfers					(632,021)	632,021	-
Transfers					207,578	(207,578)	-
Total General Revenues and Transfers					2,437,480	442,981	2,880,461
CHANGE IN NET POSITION					738,376	840,953	1,579,329
NET POSITION - BEGINNING OF YEAR					10,719,831	9,998,421	20,718,252
NET POSITION - END OF YEAR					\$ 11,458,207	\$ 10,839,374	\$ 22,297,581

**CITY OF LONSDALE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General Fund	Business Park Debt Fund	Area 5 Capital Project Fund	2nd Ave SW Street Improv. Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash, Cash Equivalents, and Investments	\$ 1,644,831	\$ -	\$ 1,310,994	\$ 343,663	\$ 343,524	\$ 3,643,012
Cash with Fiscal Agent	-	-	-	-	866,829	866,829
Property Taxes Receivable	26,129	3,017	2,813	-	1,194	33,153
Assessments Receivable	32,981	571,562	1,411,192	374,178	134,006	2,523,919
Accounts Receivable	9,446	-	-	-	-	9,446
Due from Other Funds	1,347,221	-	-	-	-	1,347,221
Prepays	81,407	-	-	-	33	81,440
Loans Receivable (Net)	-	-	-	-	60,057	60,057
TOTAL ASSETS	<u>\$ 3,142,015</u>	<u>\$ 574,579</u>	<u>\$ 2,724,999</u>	<u>\$ 717,841</u>	<u>\$ 1,405,643</u>	<u>\$ 8,565,077</u>
LIABILITIES						
Accounts Payable	\$ 97,908	\$ 150	\$ -	\$ 33,456	\$ 63,874	\$ 195,388
Salaries Payable	18,828	-	-	-	132	18,960
Construction Contracts Payable	-	-	-	81,016	-	81,016
Deposits Payable	105,886	-	-	-	-	105,886
Due to Other Funds	-	913,551	-	-	433,670	1,347,221
Total Liabilities	222,622	913,701	-	114,472	497,676	1,748,471
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Property Taxes	18,239	2,261	2,103	-	894	23,497
Special Assessments	31,971	571,562	1,404,624	374,178	133,596	2,515,931
Total Deferred Inflows of Resources	50,210	573,823	1,406,727	374,178	134,490	2,539,428
FUND BALANCES						
Nonspendable	81,407	-	-	-	60,090	141,497
Restricted	-	-	1,318,272	229,191	1,209,931	2,757,394
Assigned	998,950	-	-	-	-	998,950
Unassigned	1,788,826	(912,945)	-	-	(496,544)	379,337
Total Fund Balances	2,869,183	(912,945)	1,318,272	229,191	773,477	4,277,178
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,142,015</u>	<u>\$ 574,579</u>	<u>\$ 2,724,999</u>	<u>\$ 717,841</u>	<u>\$ 1,405,643</u>	<u>\$ 8,565,077</u>

**CITY OF LONSDALE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds		\$ 4,277,178
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	\$ 25,407,129	
Accumulated Depreciation	<u>(9,088,021)</u>	
Capital Assets (Net)		16,319,108
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Bond Principal Payable	(10,955,000)	
Bond Premium, Net of Accumulated Amortization	(165,482)	
Compensated Absences	<u>(66,636)</u>	
		(11,187,118)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the funds:		
Net Pension Asset	543,337	
Net Pension Liability	(922,919)	
Deferred Outflows - Pensions	432,995	
Deferred Inflows - Pensions	<u>(410,318)</u>	
		(356,905)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		
		(133,484)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:		
Property Taxes		23,497
Special Assessments		<u>2,515,931</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>11,458,207</u>

CITY OF LONSDALE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Business Park Debt Fund	Area 5 Capital Project Fund	2nd Ave SW Street Improv. Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,705,073	\$ 164,755	\$ 154,868	\$ -	\$ 65,403	\$ 2,090,099
Tax Increment	-	-	-	-	73,766	73,766
Franchise Taxes	55,129	-	-	-	-	55,129
Special Assessments	11,001	147,974	360,543	69,289	42,829	631,636
Licenses, Permits, and Fees	223,822	-	-	-	-	223,822
Intergovernmental	975,544	-	120,861	-	245,000	1,341,405
Charges for Services	185,633	-	-	-	-	185,633
Fines	23,958	-	-	-	-	23,958
Interest Income	1,233	1,399	-	1,472	16,107	20,211
Miscellaneous	46,335	300	73,296	-	3,948	123,879
TOTAL REVENUES	<u>3,227,728</u>	<u>314,428</u>	<u>709,568</u>	<u>70,761</u>	<u>447,053</u>	<u>4,769,538</u>
EXPENDITURES						
Current:						
General Government	599,373	86,661	-	-	-	686,034
Public Safety	1,051,357	-	-	-	-	1,051,357
Public Works	385,993	-	8,694	156,115	95,817	646,619
Parks and Recreation	223,363	-	-	-	-	223,363
Library	129,299	-	-	-	-	129,299
Economic Development	-	-	-	-	135,080	135,080
Capital Outlay	1,348,726	-	-	1,620,655	400,727	3,370,108
Debt Service:						
Principal	-	170,000	320,000	-	105,000	595,000
Interest and Other Charges	-	70,789	137,670	35,500	105,901	349,860
TOTAL EXPENDITURES	<u>3,738,111</u>	<u>327,450</u>	<u>466,364</u>	<u>1,812,270</u>	<u>842,525</u>	<u>7,186,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(510,383)	(13,022)	243,204	(1,741,509)	(395,472)	(2,417,182)
OTHER FINANCING SOURCES (USES)						
Bond Issuance	-	-	-	2,050,000	-	2,050,000
Bond Refunding Payment	-	(1,775,000)	-	-	-	(1,775,000)
Transfers In	249,322	40,688	49,182	-	14,208	353,400
Transfers Out	-	-	-	-	(145,822)	(145,822)
TOTAL OTHER FINANCING SOURCES (USES)	<u>249,322</u>	<u>(1,734,312)</u>	<u>49,182</u>	<u>2,050,000</u>	<u>(131,614)</u>	<u>482,578</u>
NET CHANGE IN FUND BALANCES	(261,061)	(1,747,334)	292,386	308,491	(527,086)	(1,934,604)
FUND BALANCES - BEGINNING	<u>3,130,244</u>	<u>834,389</u>	<u>1,025,886</u>	<u>(79,300)</u>	<u>1,300,563</u>	<u>6,211,782</u>
FUND BALANCES - ENDING	<u>\$ 2,869,183</u>	<u>\$ (912,945)</u>	<u>\$ 1,318,272</u>	<u>\$ 229,191</u>	<u>\$ 773,477</u>	<u>\$ 4,277,178</u>

**CITY OF LONSDALE, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (1,934,604)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized	\$ 3,526,899	
Depreciation Expense	(727,006)	
Capital Assets Transferred to Business-Type Activities	<u>(632,021)</u>	2,167,872

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Bond Principal Repayments	595,000	
Bond Issuance	(2,050,000)	
Bond Refunding Payment	1,775,000	
Amortization of Bond Premium	<u>15,330</u>	335,330

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

		2,206
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Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	1,882	
Special Revenues	<u>48,160</u>	50,042

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Accrued Compensated Absences		2,060
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Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources		<u>115,470</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 738,376

CITY OF LONSDALE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water Fund	Sewer Fund	Liquor Fund	Totals
ASSETS				
Current Assets				
Cash, Cash Equivalents, and Investments	\$ 2,317,885	\$ 1,839,177	\$ 353,343	\$ 4,510,405
Accounts Receivable	67,416	90,028	990	158,434
Inventory	-	-	222,984	222,984
Prepays	9,472	12,088	9,835	31,395
Total Current Assets	2,394,773	1,941,293	587,152	4,923,218
Noncurrent Assets				
Capital Assets Not Being Depreciated	36,000	84,450	231,631	352,081
Capital Assets Being Depreciated (Net)	4,839,343	4,264,284	563,083	9,666,710
Total Noncurrent Assets	4,875,343	4,348,734	794,714	10,018,791
TOTAL ASSETS	7,270,116	6,290,027	1,381,866	14,942,009
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	21,156	16,980	18,908	57,044
LIABILITIES				
Current Liabilities				
Accounts Payable	21,786	23,461	82,022	127,269
Salaries Payable	4,125	3,305	3,134	10,564
Sales Tax Payable	-	-	18,814	18,814
Accrued Interest	22,206	11,000	-	33,206
Bonds Due Within One Year	201,000	421,000	-	622,000
Total Current Liabilities	249,117	458,766	103,970	811,853
Noncurrent Liabilities				
Compensated Absences Due After One Year	18,216	13,800	16,034	48,050
Bonds Due After One Year	1,967,560	922,853	-	2,890,413
Net Pension Liability	145,017	115,569	133,224	393,810
Total Noncurrent Liabilities	2,130,793	1,052,222	149,258	3,332,273
TOTAL LIABILITIES	2,379,910	1,510,988	253,228	4,144,126
DEFERRED INFLOWS OF RESOURCES				
Pensions	5,727	4,564	5,262	15,553
NET POSITION				
Net Investment in Capital Assets	2,706,783	3,004,881	794,714	6,506,378
Unrestricted	2,198,852	1,786,574	347,570	4,332,996
TOTAL NET POSITION	\$ 4,905,635	\$ 4,791,455	\$ 1,142,284	\$ 10,839,374

CITY OF LONSDALE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Liquor Fund	Totals
SALES AND COST OF SALES				
Sales	\$ -	\$ -	\$ 2,110,860	\$ 2,110,860
Cost of Sales	-	-	(1,640,376)	(1,640,376)
GROSS PROFIT	-	-	470,484	470,484
OPERATING REVENUES				
Charges for Services	590,378	919,790	-	1,510,168
TOTAL GROSS PROFIT AND OPERATING REVENUES	590,378	919,790	470,484	1,980,652
OPERATING EXPENSES				
Wages and Benefits	257,764	207,709	216,160	681,633
Materials and Supplies	29,577	50,420	7,560	87,557
Repairs and Maintenance	61,778	117,374	6,469	185,621
Professional Services	19,186	60,251	14,952	94,389
Insurance	8,764	12,947	7,644	29,355
Utilities	67,452	85,185	23,492	176,129
Rent	916	916	-	1,832
Miscellaneous	11,546	5,587	7,277	24,410
Depreciation and Amortization	220,917	196,962	23,597	441,476
TOTAL OPERATING EXPENSES	677,900	737,351	307,151	1,722,402
NET OPERATING INCOME (LOSS)	(87,522)	182,439	163,333	258,250
NONOPERATING INCOME (EXPENSE)				
Intergovernmental	804	607	189	1,600
Connection Fees	105,250	128,250	-	233,500
Investment Income	2,436	2,009	31	4,476
Miscellaneous	2,003	11,702	357	14,062
Interest and Other Charges	(56,812)	(38,566)	-	(95,378)
TOTAL NONOPERATING INCOME (EXPENSE)	53,681	104,002	577	158,260
CHANGE IN NET POSITION PRIOR TO TRANSFERS	(33,841)	286,441	163,910	416,510
TRANSFERS				
Interfund Capital Asset Transfers	554,404	77,617	-	632,021
Operating Transfers Out	(72,376)	(31,702)	(103,500)	(207,578)
NET TRANSFERS	482,028	45,915	(103,500)	424,443
CHANGE IN NET POSITION	448,187	332,356	60,410	840,953
NET POSITION - BEGINNING OF YEAR	4,457,448	4,459,099	1,081,874	9,998,421
NET POSITION - END OF YEAR	\$ 4,905,635	\$ 4,791,455	\$ 1,142,284	\$ 10,839,374

CITY OF LONSDALE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Liquor Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 576,049	\$ 911,410	\$ 2,115,487	\$ 3,602,946
Cash Paid to Suppliers	(190,369)	(352,588)	(1,652,536)	(2,195,493)
Cash Paid to Employees	(265,905)	(214,084)	(225,632)	(705,621)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>119,775</u>	<u>344,738</u>	<u>237,319</u>	<u>701,832</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental	804	607	189	1,600
Connections and Other Receipts	107,253	139,952	357	247,562
Net Operating Subsidies and Transfers from (to) Other Funds	(72,376)	(31,702)	(103,500)	(207,578)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>35,681</u>	<u>108,857</u>	<u>(102,954)</u>	<u>41,584</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(10,335)	(17,140)	-	(27,475)
Payments on Bond Principal	(200,000)	(406,000)	-	(606,000)
Cash Paid for Interest	(58,422)	(41,736)	-	(100,158)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(268,757)</u>	<u>(464,876)</u>	<u>-</u>	<u>(733,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	<u>2,436</u>	<u>2,009</u>	<u>31</u>	<u>4,476</u>
Net Change in Cash, Cash Equivalents, and Investments	(110,865)	(9,272)	134,396	14,259
Cash, Cash Equivalents, and Investments - Beginning of Year	<u>2,428,750</u>	<u>1,848,449</u>	<u>218,947</u>	<u>4,496,146</u>
Cash, Cash Equivalents, and Investments - End of Year	<u>\$ 2,317,885</u>	<u>\$ 1,839,177</u>	<u>\$ 353,343</u>	<u>\$ 4,510,405</u>

CITY OF LONSDALE, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Liquor Fund	Totals
RECONCILIATION OF NET OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ (87,522)	\$ 182,439	\$ 163,333	\$ 258,250
Adjustments to Reconcile Net Operating Income (Loss)				
to Net Cash Provided by Operating Activities:				
Depreciation and Amortization Expense	220,917	196,962	23,597	441,476
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(14,329)	(8,380)	435	(22,274)
Inventory	-	-	10,202	10,202
Prepays	(733)	(1,138)	(1,480)	(3,351)
Accounts Payable	9,583	(18,770)	46,512	37,325
Salaries Payable	(6,520)	(5,270)	(6,680)	(18,470)
Sales Tax Payable	-	-	4,192	4,192
Net Pension Liability	17,373	13,768	14,057	45,198
Deferred Outflows or Resources - Pensions	(3,718)	(3,055)	(2,768)	(9,541)
Deferred Inflows or Resources - Pensions	(16,037)	(12,793)	(15,056)	(43,886)
Compensated Absences	761	975	975	2,711
	<u>119,775</u>	<u>344,738</u>	<u>237,319</u>	<u>701,832</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 119,775</u>	<u>\$ 344,738</u>	<u>\$ 237,319</u>	<u>\$ 701,832</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contribution of Capital Assets from Governmental Funds	<u>\$ 554,404</u>	<u>\$ 77,617</u>	<u>\$ -</u>	<u>\$ 632,021</u>

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lonsdale (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: public improvements, public safety, planning and zoning, recreation, liquor, water, sewer, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Lonsdale, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Lonsdale

The Authority was established in 2001 pursuant to the provisions of Minnesota Statutes Section 469.090 to 469.108 to promote and provide incentives for economic development, and to preserve and create jobs, enhance the City's tax base and promote the general welfare of the people. The EDA is governed by a board of commissioners consisting of seven members, five from the business community and two City Councilmembers.

The financial activity of the Authority is performed by the City of Lonsdale and treated as routine City business.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Related Organizations

The Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Business Park Debt Fund* is a debt service fund used to account for the sources of revenue for and the payment for the debt related to the Business Park project.

The *Area 5 Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

The *2nd Ave. SW Street Improvement Fund* accounts for financial resources to be used for a road improvement project.

The City reports the following major proprietary funds:

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains *Water, Sewer, and Liquor Proprietary Funds*.

The City reports the following nonmajor governmental fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for various construction project expenditures.

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Tax levies, special assessments, and tax increment financing are used for the payment of principal and interest on the City's indebtedness.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows/inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonable estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

1.D. 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 the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets, liabilities, and deferred outflows/inflows at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement of Net Position and proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand, savings, and money market accounts for the City.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Investments

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

Prepays

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

Inventory

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the first in, first out (FIFO) method.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments, loans, and charges for services. Business-type activities report utility charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, loans, fines, and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**CITY OF LONSDALE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and must have an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Land	Not Depreciated
Lift Stations	50 years
Sanitary Sewer Mains	40 years
Water Mains	40 years
Storm Sewer Mains	40 years
Buildings	40 years
Concrete Curb and Gutter	30 years
Sidewalks	30 years
Wells and Pump Houses	25 years
Water Meters	20 years
Fire Trucks	20 years
Office Equipment	10 years
Machinery, Equipment, Radios, Phones	10 years
Computer Equipment/Software	5 years
Vehicles	5 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick, and compensatory time. All vacation, sick, and compensatory pay are accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would be used to liquidate the compensated absences.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Pension Asset/Liability

The net pension asset represents the Lonsdale Fireman's Relief Association's net pension asset as of the most recent actuarial valuation date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

PERA

For purposes of measuring the net pension asset and 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 PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenues as deferred inflows of resources. Unavailable revenues consist of property taxes and special assessments. Accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available. Because this type of unavailable revenue is only reported under a modified accrual basis of accounting, these deferred inflows of resources are only reported in the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2020 consist of prepaid expenditures and loans receivable.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The Council currently has the ability to assign and has also delegated this authority to the City Administrator and City Treasurer.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City strives to maintain a minimum unassigned general fund balance equal to approximately five months or 42 percent of the prior year’s expenditures.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described previously.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Rice County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The last day the City can certify a tax levy to the County for collection the following year is five working days after December 20th. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay
Proprietary Fund - By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At December 31, 2020, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received 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, 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 does not have any investment policies that would further limit investment choices.

Investment balances at December 31, 2020 are as follows:

<u>Deposit/Investment</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total</u>
Pooled Investments:					
Minnesota Municipal Money Market Funds	0.02	<1 year	\$ 546,722	NR	30.65
Non-Pooled Investments:					
Cash and Money Market Funds	0.00	<1 year	122,227	NR	6.85
U.S. Government Bonds and Securities	2.13	<1 year	866,263	Aaa	48.57
Certificate of Deposit	0.56	<1 year	<u>248,500</u>	NR	<u>13.93</u>
Totals			<u>\$ 1,783,712</u>		<u>100.00</u>

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- Concentration of Credit Risk is the risk associated with the magnitude of the City’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer. At December 31, 2020, the City’s concentration of credit risk is shown in the table above.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

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; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2020:

- Money market funds of \$122,227 are deemed to be level 1 investments and are valued by using quoted market prices.
- U.S. Government Bonds of \$866,263 and Certificates of Deposits of \$248,500 are deemed to be level 2 investments.

The Minnesota Municipal Money Market Fund (the 4M Fund) is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investment in the Minnesota Municipal Money Market Fund is not subject to the credit risk classifications as noted in paragraph 9 of the GASB Statement No. 72.

Deposits and Investments Summary

A reconciliation of cash and investments as shown on the Statements of Net Position for the City follows:

Carrying Amount of Deposits	\$	7,236,534
Investments		1,783,712
Total	\$	9,020,246
Government-wide Cash, Cash Equivalents and Investments	\$	8,153,417
Government-wide Cash Held in Escrow		866,829
Total	\$	9,020,246

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Balance at 01/01/20	Additions	Disposals	Transfers	Balance at 12/31/20
Governmental Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 679,315	\$ 269,465	\$ -	\$ -	\$ 948,780
Construction In Progress	2,234,223	2,923,511	-	(2,308,041)	2,849,693
Total Capital Assets not Being					
Depreciated	2,913,538	3,192,976	-	(2,308,041)	3,798,473
Capital Assets Being					
Depreciated					
Buildings and Improvements	1,834,423	-	-	-	1,834,423
Infrastructure	14,262,436	-	-	1,676,020	15,938,456
Equipment	2,049,179	303,367	-	-	2,352,546
Vehicles	1,452,675	30,556	-	-	1,483,231
Total Capital Assets Being					
Depreciated	19,598,713	333,923	-	1,676,020	21,608,656
Less: Accumulated Depreciation					
Buildings and Improvements	(1,181,328)	(38,782)	-	-	(1,220,110)
Infrastructure	(4,597,239)	(562,209)	-	-	(5,159,448)
Equipment	(1,405,941)	(78,108)	-	-	(1,484,049)
Vehicles	(1,176,507)	(47,907)	-	-	(1,224,414)
Total Accumulated					
Depreciation	(8,361,015)	(727,006)	-	-	(9,088,021)
Total Capital Assets Being					
Depreciated, Net	11,237,698	(393,083)	-	1,676,020	12,520,635
Capital Assets, Net	<u>\$ 14,151,236</u>	<u>\$ 2,799,893</u>	<u>\$ -</u>	<u>\$ (632,021)</u>	<u>\$ 16,319,108</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 251,760
Public Safety	63,545
Public Works	328,875
Parks and Recreation	<u>82,826</u>
Total Depreciation Expense	<u>\$ 727,006</u>

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

	Balance at 01/01/20	Additions	Disposals	Transfers	Balance at 12/31/20
Business-Type Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 352,081	\$ -	\$ -	\$ -	\$ 352,081
Capital Assets Being					
Depreciated					
Buildings and Improvements	831,238	-	-	-	831,238
Infrastructure	13,125,817	-	-	632,021	13,757,838
Machinery and Equipment	478,479	6,806	-	-	485,285
Vehicles	90,146	-	-	-	90,146
Total Capital Assets Being					
Depreciated	14,525,680	6,806	-	632,021	15,164,507
Less: Accumulated Depreciation					
Buildings and Improvements	(255,964)	(20,781)	-	-	(276,745)
Infrastructure	(4,331,553)	(397,476)	-	-	(4,729,029)
Machinery and Equipment	(374,246)	(27,631)	-	-	(401,877)
Vehicles	(87,616)	(2,530)	-	-	(90,146)
Total Accumulated					
Depreciation	(5,049,379)	(448,418)	-	-	(5,497,797)
Total Capital Assets Being					
Depreciated, Net	9,476,301	(441,612)	-	632,021	9,666,710
Capital Assets, Net	<u>\$ 9,828,382</u>	<u>\$ (441,612)</u>	<u>\$ -</u>	<u>\$ 632,021</u>	<u>\$ 10,018,791</u>

2.C. LOANS RECEIVABLE

The City uses revolving loans for economic development purposes. Additionally, the City provides grants for economic development in the form of loans that are forgiven over a defined period of time, provided the recipient maintains compliance with the terms of the loan agreement.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. LOANS RECEIVABLE (Continued)

The City has the following loans receivable as of December 31, 2020:

	Interest Rate	Principal Balance December 31, 2020
Whittney Land Holding Co.	2.00%	35,957
Lonsdale Hardware & Rental	0.00%	8,066
Total Traditional Loans		44,023
Forgivable Loans		16,034
 Total Loans Receivable		 \$ 60,057

2.D. NONCURRENT LIABILITIES

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2020, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/09	\$ 940,000	\$5,000 - \$105,000	5.25 - 6.80%	02/36	\$ 880,000
08/12	1,385,000	\$70,000 - \$110,000	2.00 - 2.60%	02/28	795,000
07/15	1,335,000	\$80,000 - \$100,000	2.00 - 3.50%	02/31	1,010,000
05/16	1,625,000	\$100,000 - \$125,000	0.77 - 3.00%	06/31	1,215,000
10/16	1,835,000	\$190,000 - \$220,000	2.00%	02/29	1,835,000
10/16	1,000,000	\$40,000 - \$105,000	2.10 - 3.32%	02/36	1,000,000
07/17	960,000	\$55,000 - \$75,000	2.00 - 3.00%	02/33	850,000
07/18	1,395,000	\$75,000 - \$125,000	3.00 - 4.00%	02/34	1,320,000
04/20	2,050,000	\$118,000 - \$157,000	2.10%	02/36	2,050,000
		Total Governmental Activities Bonds Payable			10,955,000
		Bonds Due Within One Year			1,475,000
		Bonds Due After One Year			\$ 9,480,000

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Business-Type Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
11/03	\$ 6,644,792	\$240,000 - \$430,000	2.34%	08/23	\$ 1,260,791
06/11	1,210,591	\$5,400 - \$77,000	1.76%	08/30	715,000
07/17	1,275,000	\$110,000 - \$140,000	2.00 - 3.00%	02/32	935,000
07/18	570,000	\$25,000 - \$50,000	3.00 - 4.00%	02/34	545,000
Total Business-Type Activities Bonds Payable					3,455,791
Bonds Due Within One Year					622,000
Bonds Due After One Year					\$ 2,833,791

On October 1, 2016, the City issued \$1,835,000 General Obligation Crossover Refunding Bonds, Series 2016B, with an interest rate of 2.00% to refund the 2013 General Obligation Improvement Bonds, Series 2013B. The net proceeds of the bond amount to \$1,840,884 and were placed in an escrow account to pay off the 2013 bond in 2020 and interest on the 2016 bond until 2020. The refunding reduced the total debt service payments over the next eleven years by \$101,132. The result is an economic gain (difference between the present values of the debt service payment and the old and new debt) of \$89,848. On October 12, 2016, the City issued \$1,000,000 General Obligation Taxable Tax Increment Refunding Bonds, Series 2016C, with an interest rate of 2.10-3.32% to refund the 2009 General Obligation Taxable Tax Increment Bonds, Series 2009A. The net proceeds of the bond amount to \$947,022 and were placed in an escrow account to pay off the 2009 bond in 2021 and interest on the 2016 bond until 2021. The refunding resulted in an economic gain (difference between the present values of the debt service payment and the old and new debt) of \$90,826.

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2020:

Type of Debt	Balance 01/01/20	Additions	Deductions	Balance 12/31/20	Amounts Due Within One Year
Governmental Activities:					
Bonds	\$ 11,275,000	\$ 2,050,000	\$ (2,370,000)	\$ 10,955,000	\$ 1,475,000
Unamortized Bond Premium	180,812	-	(15,330)	165,482	-
Compensated Absences	68,696	110,813	(112,873)	66,636	-
Total	\$ 11,524,508	\$ 2,160,813	\$ (2,498,203)	\$ 11,187,118	\$ 1,475,000
Business-Type Activities:					
Bonds	\$ 4,061,791	\$ -	\$ (606,000)	\$ 3,455,791	\$ 622,000
Unamortized Bond Premium	63,566	-	(6,944)	56,622	-
Compensated Absences	45,339	48,808	(46,097)	48,050	-
Total	\$ 4,170,696	\$ 48,808	\$ (659,041)	\$ 3,560,463	\$ 622,000

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Governmental activity debt is typically funded through Debt Service Funds. Business-Type activity debt is typically funded through the Water and Sewer Funds. Compensated absences is funded through the funds to which the respective employees' wages are allocated.

Annual Debt Service Requirements

At December 31, 2020, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 1,475,000	\$ 321,575	\$ 1,796,575
2022	758,000	239,768	997,768
2023	770,000	221,605	991,605
2024	802,000	202,221	1,004,221
2025	825,000	181,900	1,006,900
2026-2030	4,012,000	588,231	4,600,231
2031-2035	2,106,000	155,472	2,261,472
2036	207,000	2,479	209,479
Totals	<u>\$ 10,955,000</u>	<u>\$ 1,913,251</u>	<u>\$ 12,868,251</u>

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 622,000	\$ 86,508	\$ 708,508
2022	637,000	72,332	709,332
2023	647,791	57,101	704,892
2024	225,000	40,926	265,926
2025	226,000	34,697	260,697
2026-2030	883,000	92,328	975,328
2031-2034	215,000	16,000	231,000
Totals	<u>\$ 3,455,791</u>	<u>\$ 399,892</u>	<u>\$ 3,855,683</u>

Interest expense totals \$405,845 in the Statement of Activities (included in Debt Service, Water, and Sewer lines). Interest expenditures total \$312,673 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$95,378 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2020:

Major Funds	Transfers Out	Transfers In				Total
		Major Funds			Nonmajor Funds	
		General	Business Park Debt	Area 5 Capital Project	Governmental	
Water	\$ 72,376	\$ -	\$ 20,344	\$ 38,917	\$ 13,115	\$ 72,376
Sewer	31,702	-	20,344	10,265	1,093	31,702
Liquor	103,500	103,500	-	-	-	103,500
	207,578	103,500	40,688	49,182	14,208	207,578
Nonmajor Funds						
Governmental	145,822	145,822	-	-	-	145,822
Total	\$ 353,400	\$ 249,322	\$ 40,688	\$ 49,182	\$ 14,208	\$ 353,400

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund balances are as follows:

Short-Term Operating Balances		Amount	Reason
Due To Fund	Due From Fund		
General	Business Park Debt	\$ 913,551	Eliminate negative cash
General	Police Facility	353,733	Eliminate negative cash
General	3rd Ave SW Street Improv.	79,937	Eliminate negative cash
Total Interfund Balances		\$ 1,347,221	

Interfund balances are to be repaid as cash flows become available.

**CITY OF LONSDALE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. FUND EQUITY

At December 31, 2020, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepays	\$ 81,407
Assigned for Police	8,635
Assigned for Library	147,014
Assigned for Fire Department	843,301
Unassigned	<u> 1,788,826</u>
 Total General Fund Balance	 <u><u> \$ 2,869,183</u></u>
 Business Park Debt Fund	
Unassigned	<u><u> \$ (912,945)</u></u>
 Area 5 Capital Project Fund	
Restricted for Capital Projects	<u><u> \$ 1,318,272</u></u>
 2nd Ave. SW Street Improvement Fund	
Restricted for Capital Projects	<u><u> \$ 229,191</u></u>
 Nonmajor Governmental Funds	
Nonspendable - Loans Receivable and Prepays	\$ 60,090
Restricted for Economic Development	127,258
Restricted for Debt Service	1,082,673
Unassigned	<u> (496,544)</u>
 Total Nonmajor Governmental Funds Balance	 <u><u> \$ 773,477</u></u>

Additionally, funds with deficit fund balances at December 31, 2020 are as follows:

Fund	Fund Deficit
Debt Service	
Business Park Debt Fund	\$ 912,945
Nonmajor Capital Projects	
Police Facility	\$ 371,339
2021 Street Improvement	\$ 125,205

These fund deficits are expected to be covered from future revenues, tax levies or transfers.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

Police and Fire Plan Benefits

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

**CITY OF LONSDALE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2020 total \$75,158. The City’s contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire member’s contribution rates increased from 11.30 percent of their annual salary to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2019. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2020 total \$83,596. The City’s contributions are equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$797,396 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$24,571. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0133 percent at the end of the measurement period and 0.0128 percent for the beginning of the period.

City’s proportionate share of the net pension liability:	\$797,396
State of Minnesota’s proportionate share of the net pension liability associated with the City	24,571
Total	\$821,967

For the year ended December 31, 2020, the City recognized pension expense of \$77,722 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$2,138 as grant revenue for its proportionate share of the State of Minnesota’s annual \$16 million contribution.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,982	\$ 3,017
Changes in actuarial assumptions	-	28,476
Difference between projected and actual investment earnings	20,757	-
Changes in proportionate share	46,533	-
Contributions paid to PERA subsequent to the measurement date	40,670	-
 Total Deferred Outflows/Inflows	 \$ 114,942	 \$ 31,493

The \$40,670 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2021	\$ (15,751)
2022	\$ 17,238
2023	\$ 22,027
2024	\$ 19,265

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$519,334 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0394 percent at the end of the measurement period and 0.0376 percent for the beginning of the period.

The State of Minnesota 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 supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$92,977 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$3,761 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$3,546 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.

City’s proportionate share of the net pension liability:	\$519,334
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>12,226</u>
Total	<u>\$531,560</u>

At December 31, 2020 the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources 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	\$ 20,817	\$ 15,649
Changes in actuarial assumptions	110,431	257,448
Difference between projected and actual investment earnings	32,286	-
Changes in proportionate share	143,131	5,681
Contributions paid to PERA subsequent to the measurement date	<u>43,863</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 350,528</u>	<u>\$ 278,778</u>

The \$43,863 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ 2,564
2022	\$ (53,335)
2023	\$ 37,665
2024	\$ 37,434
2025	\$ 3,559

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was negative \$13,734, including amortization of deferred balances.

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>Assumptions</u>	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>
Inflation	2.25 percent per year	2.50 percent per year
Active Member Payroll Growth	3.00 percent per year	3.25 percent per year
Investment Rate of Return	7.50 percent	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabled members were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent per year as set by State Statute.

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 for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan were 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 Legislature.

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

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 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 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	<u>100%</u>	

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 General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Sensitivity Analysis						
Net Pension Liability at Different Discount Rates						
	General Employees Fund			Police and Fire Fund		
1% Decrease in Discount Rate	6.50%	\$	1,277,949	6.50%	\$	1,035,108
Current Discount Rate	7.50%	\$	797,395	7.50%	\$	519,334
1% Increase in Discount Rate	8.50%	\$	400,978	8.50%	\$	92,622

Pension Plan Fiduciary Net Position

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Lonsdale are members of the Lonsdale Fireman’s Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan operates under the provisions of Minnesota laws 1965 Ch. 446 as amended, and the applicable provisions of *Minnesota Statutes* Chs. 69 and 424 and 424A. It is governed by a Board of Trustees consisting of nine members elected by the members of the Association, and the Mayor, City Administrator, and Fire Chief, who serve as the ex-officio members of the Board.

Benefits Provided

At the age of 50 and upon retirement, each member who has served as an active firefighter in the Association is eligible for varying levels of pension benefits, dependent upon the individual’s years of service. In addition, members or their beneficiaries may qualify for death or disability benefits.

Contributions

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statute 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a 10-year period. The City’s contributions to the Association for the year ended December 31, 2020 total \$22,000.

Pension Costs

At December 31, 2020, the City of Lonsdale reported a net pension asset of \$543,337 for the Fire Relief Association’s plan. The net pension asset was measured as of December 31, 2019, as determined by an actuarial valuation as of January 1, 2019.

For the year ended December 31, 2020, the City recognized pension expense of negative \$92,482 for the Association, which includes \$66,282 recognized as pension expense (and grant revenue) for the State of Minnesota’s contributions to the Association during the measurement period.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)

The following table presents the changes in net pension asset during the measurement period.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning Balance 12/31/18	\$ 851,164	\$ 1,150,485	\$ (299,321)
Service Cost	27,537	-	27,537
Interest on Pension Liability	43,539	-	43,539
Projected Investment Earnings	-	59,877	(59,877)
Contributions (Employer)	-	20,000	(20,000)
Contributions (State)	-	66,282	(66,282)
Asset Gain/(Loss)	-	176,398	(176,398)
Benefit Payouts	(98,767)	(98,767)	-
Administrative Fee	-	(7,465)	7,465
Net Changes	<u>(27,691)</u>	<u>216,325</u>	<u>(244,016)</u>
Balance End of Year 12/31/19	<u>\$ 823,473</u>	<u>\$ 1,366,810</u>	<u>\$ (543,337)</u>

At December 31, 2020, the City of Lonsdale reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 11,950
Changes in actuarial assumptions	2,569	-
Difference between projected and actual investment earnings	-	103,650
Contributions paid subsequent to the measurement date	<u>22,000</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 24,569</u>	<u>\$ 115,600</u>

A total of \$22,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense</u>
2021	\$ (34,447)
2022	\$ (28,130)
2023	\$ (11,422)
2024	\$ (37,156)
2025	\$ (1,876)

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)

Actuarial Assumptions

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

<u>Assumptions</u>	<u>Rates</u>
Investment Rate of Return (Discount)	5.25%
Expected Long-Term Rate of Return	5.25%
20-Year Municipal Bond Yield	3.50%
Salary Increases	2.50%
Interest on Deferred Amounts	0.00%

The following changes in actuarial assumptions occurred in 2019:

- There have been no changes since the prior year.

Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (4.25%)</u>	<u>Discount Rate (5.25%)</u>	<u>1% Increase in Discount Rate (6.25%)</u>
Net Pension Asset	\$ 532,979	\$ 543,337	\$ 553,364

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.25%. The asset allocation at the measurement date and best estimates for each major asset class of the Association’s pension fund investments are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	17.00%	2.25%
Fixed Income	31.00%	3.70%
Equities	52.00%	7.10%

Description of significant investment policy changes during the year

The Association made no significant changes to their investment policy during 2019.

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City at 415 Central Street West, Lonsdale, MN 55046.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 OTHER NOTES

5.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but no reported claims.

Public Health Emergency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

5.B. TAX INCREMENT FINANCING DISTRICTS

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. For a pay-as-you-go district, any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements. For the District summarized below, the City financed the initial costs of the project, therefore all increment generated by the District is being used to finance the related debt service payments.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 OTHER NOTES (Continued)

5.B. TAX INCREMENT FINANCING DISTRICTS (Continued)

The following is a summary of the City’s current tax increment financing district:

	District #1
Business Name	Villages of Lonsdale LLC
Purpose	Housing
Authorizing MN Statute:	469.174
Year Established:	2010
Duration of District:	Through 2035
Original Base Net Tax Capacity:	\$ 2,296
Current Net Tax Capacity:	\$ 68,998
Captured Net Tax Capacity:	
Retained by City	\$ 66,702
Taxes Abated in Current Year:	\$ -
Total Bonds Issued:	\$ 940,000
Balance at 12/31/20:	\$ 880,000

5.C. COMMITMENTS

Construction Contracts

The City entered into various contracts during the year for construction services. Remaining commitments under these contracts at December 31, 2020 total \$165,635, not including retainage which has been accrued in these financial statements.

5.D. SUBSEQUENT EVENTS

Contracts and Purchases

Subsequent to year end and prior to the issuance of these financial statements, the City’s Council approved a contract for the 2021 Street and Utility Improvement Project totaling approximately \$1,516,800, along with various smaller contracts related to the project. Additionally, the City’s Council also approved contracts approximating \$2,300,000 for the construction of a new police department facility, \$102,000 for Trcka Park site improvements, and a \$106,000 capital lease for the acquisition of a utility tractor.

Subsequent to year end, the City’s Council also approved the issuance of General Obligation Improvement Bonds, Series 2021A and 2021B, in the amounts of \$2,750,000 and \$1,725,000, respectively. Additionally, the Council approved the issuance of General Obligation Improvement Refunding Bonds, Series 2021C in the amount of \$700,000 for the purpose of refinancing the outstanding balance on the 2012A bond issuance.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LONSDALE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 1,671,389	\$ 1,705,073	\$ 33,684
Franchise Taxes	54,838	55,129	291
Total Taxes	<u>1,726,227</u>	<u>1,760,202</u>	<u>33,975</u>
Special Assessments	-	11,001	11,001
Licenses and Permits	176,540	223,822	47,282
Intergovernmental Revenue			
Federal Revenue			
Coronavirus Relief Funds	-	64,406	64,406
Other Federal Grants	-	279,522	279,522
State Revenue			
Local Government Aid	484,777	486,815	2,038
Police and Fire Aid	125,000	111,405	(13,595)
Other State Grants and Aids	255,300	10,946	(244,354)
County Revenue			
Other County Grants and Aids	-	1,200	1,200
Local Revenue			
Other Local Grants	21,250	21,250	-
Total Intergovernmental Revenue	<u>886,327</u>	<u>975,544</u>	<u>89,217</u>
Charges for Services			
General Government	7,750	17,752	10,002
Police and Fire Contracts	201,256	159,769	(41,487)
Streets and Highways	5,000	6,567	1,567
Libraries	1,500	845	(655)
Parks and Recreation	500	700	200
Total Charges for Services	<u>216,006</u>	<u>185,633</u>	<u>(30,373)</u>
Fines and Forfeitures	22,600	23,958	1,358
Miscellaneous Revenue			
Investment Earnings	-	1,233	1,233
Sale of Assets	2,000	10,858	8,858
Refunds and Reimbursements	10,720	19,398	8,678
Contributions and Donations	600	12,538	11,938
Other Miscellaneous	1,500	3,541	2,041
Total Miscellaneous Revenue	<u>14,820</u>	<u>47,568</u>	<u>32,748</u>
TOTAL REVENUES	3,042,520	3,227,728	185,208
EXPENDITURES			
General Government			
Mayor and Council	17,949	16,615	(1,334)
Administration and Finance	209,212	294,886	85,674
Other General Government	271,281	287,872	16,591
Capital Outlay	-	42,634	42,634
Total General Government	<u>498,442</u>	<u>642,007</u>	<u>143,565</u>

CITY OF LONSDALE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
Public Safety			
Police			
Current	850,094	830,100	(19,994)
Capital Outlay	55,300	72,412	17,112
Fire			
Current	240,381	221,257	(19,124)
Capital Outlay	275,009	201,246	(73,763)
Total Public Safety	1,420,784	1,325,015	(95,769)
Public Works			
Street Maintenance and Storm Sewers	445,514	305,817	(139,697)
Snow and Ice Removal	27,500	6,606	(20,894)
Street Engineering	30,000	10,386	(19,614)
Street Lighting	66,000	63,184	(2,816)
Capital Outlay - Street Construction	-	129,895	129,895
Total Public Works	569,014	515,888	(53,126)
Culture and Recreation			
Libraries			
Current	147,091	129,299	(17,792)
Capital Outlay	12,000	9,421	(2,579)
Parks and Recreation			
Current	257,770	223,363	(34,407)
Capital Outlay	563,100	893,118	330,018
Total Culture and Recreation	979,961	1,255,201	275,240
TOTAL EXPENDITURES	3,468,201	3,738,111	269,910
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(425,681)	(510,383)	(84,702)
OTHER FINANCING SOURCES			
Transfers			
From Other Funds	-	249,322	249,322
NET CHANGE IN FUND BALANCE	\$ (425,681)	(261,061)	\$ 164,620
FUND BALANCES - BEGINNING		3,130,244	
FUND BALANCE - ENDING		\$ 2,869,183	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 - Expenditures in Excess of Budget

Actual expenditures in the General Fund of \$3,738,111 exceeded the final budgeted expenditures by \$269,910 for the current year. This is primarily due to the increased costs of capital purchases in the current year. Additionally, the City received a total of \$311,005 of Coronavirus Relief Aid from State of Minnesota. Of this amount, \$64,406 was recorded in the City's General Fund, as noted on the previous page. The corresponding expenditures incurred in response to the pandemic have also contributed to the overall expenditures in excess of budget noted above.

CITY OF LONSDALE, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Pension Plan</i>							
2020	0.0133%	\$ 797,396	\$ 24,571	\$ 821,967	\$ 948,480	86.7%	79.1%
2019	0.0128%	\$ 707,683	\$ 21,999	\$ 729,682	\$ 890,547	81.9%	80.2%
2018	0.0121%	\$ 671,258	\$ 22,024	\$ 693,282	\$ 813,747	85.2%	79.5%
2017	0.0117%	\$ 746,920	\$ 9,379	\$ 756,299	\$ 752,680	100.5%	75.9%
2016	0.0118%	\$ 958,101	\$ -	\$ 958,101	\$ 707,664	135.4%	68.9%
2015	0.0122%	\$ 632,267	\$ -	\$ 632,267	\$ 703,107	89.9%	78.2%
2014	0.0132%	\$ 620,070	\$ -	\$ 620,070	\$ 710,496	87.3%	78.9%
<i>Public Employees Police and Fire Pension Plan</i>							
2020	0.0394%	\$ 519,334	\$ 12,226	\$ 531,560	\$ 444,537	119.6%	87.2%
2019	0.0376%	\$ 400,290	\$ -	\$ 400,290	\$ 396,344	101.0%	89.3%
2018	0.0310%	\$ 330,429	\$ -	\$ 330,429	\$ 326,605	101.2%	88.8%
2017	0.0310%	\$ 418,537	\$ -	\$ 418,537	\$ 319,414	131.0%	85.4%
2016	0.0250%	\$ 1,003,294	\$ -	\$ 1,003,294	\$ 263,977	380.1%	63.9%
2015	0.0280%	\$ 318,146	\$ -	\$ 318,146	\$ 252,326	126.1%	86.6%
2014	0.0270%	\$ 291,611	\$ -	\$ 291,611	\$ 247,326	117.9%	87.1%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LONSDALE, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2020	\$ 75,158	\$ 75,158	\$ -	1,002,107	7.50%
2019	\$ 73,309	\$ 73,309	\$ -	977,453	7.50%
2018	\$ 61,101	\$ 61,101	\$ -	814,680	7.50%
2017	\$ 59,387	\$ 59,387	\$ -	791,827	7.50%
2016	\$ 54,248	\$ 54,248	\$ -	723,307	7.50%
2015	\$ 52,732	\$ 52,732	\$ -	703,093	7.50%
2014	\$ 53,205	\$ 53,205	\$ -	733,862	7.25%
<i>Public Employees Police and Fire Pension Plan</i>					
2020	\$ 83,596	\$ 83,596	\$ -	472,294	17.70%
2019	\$ 74,361	\$ 74,361	\$ -	438,708	16.95%
2018	\$ 56,779	\$ 56,779	\$ -	350,488	16.20%
2017	\$ 53,860	\$ 53,860	\$ -	332,469	16.20%
2016	\$ 45,266	\$ 45,266	\$ -	279,420	16.20%
2015	\$ 40,879	\$ 40,879	\$ -	252,338	16.20%
2014	\$ 37,918	\$ 37,918	\$ -	247,830	15.30%
<i>Volunteer Fire Relief Association</i>					
2020	\$ -	\$ 22,000	\$ (22,000)	N/A	N/A
2019	\$ -	\$ 20,000	\$ (20,000)	N/A	N/A
2018	\$ -	\$ 20,000	\$ (20,000)	N/A	N/A
2017	\$ -	\$ 20,000	\$ (20,000)	N/A	N/A

Note: The schedule is provided prospectively beginning with the City's fiscal years ending December 31, 2014 and 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LONSDALE, MINNESOTA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
FIRE RELIEF ASSOCIATION
LAST TEN YEARS (Presented Prospectively)

	Measurement Year Ended December 31,			
	2019	2018	2017	2016
Changes in Total Pension Liability (TPL)				
Balance at January 1st	\$ 851,164	\$ 860,509	\$ 709,740	\$ 768,198
Service Cost	27,537	29,815	25,971	25,338
Interest on the TPL	43,539	46,961	40,464	40,234
Assumption Changes	-	3,597	84,334	-
Gain or Loss	-	(16,730)	-	-
Benefit Payments	(98,767)	(72,988)	-	(124,030)
Balance at December 31st	<u>\$ 823,473</u>	<u>\$ 851,164</u>	<u>\$ 860,509</u>	<u>\$ 709,740</u>
Plan Fiduciary Net Position (PFNP)				
Balance at January 1st	\$ 1,150,485	\$ 1,222,871	\$ 1,008,424	\$ 974,476
Fire State Aid	66,282	49,280	61,100	62,962
Municipal Contributions	20,000	20,000	20,000	20,000
Projected Investment Income	59,877	66,964	57,482	52,225
Gain or Loss	176,398	(128,667)	83,540	31,581
Total Additions	322,557	7,577	222,122	166,768
Benefit Payments	(98,767)	(72,988)	-	(124,030)
Administrative Expenses	(7,465)	(6,975)	(7,675)	(8,790)
Total Reductions	(106,232)	(79,963)	(7,675)	(132,820)
Balance at December 31st	<u>\$ 1,366,810</u>	<u>\$ 1,150,485</u>	<u>\$ 1,222,871</u>	<u>\$ 1,008,424</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (543,337)</u>	<u>\$ (299,321)</u>	<u>\$ (362,362)</u>	<u>\$ (298,684)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	166%	135%	142%	142%

Note: The schedule is provided prospectively beginning with the City's year ended December 31, 2017 (measurement year ended December 31, 2016) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2020 Changes

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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 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 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

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.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested 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.

Changes in Plan Provisions

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

2016 Changes

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2015 Changes

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.

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 increase the fiduciary plan net position by \$892 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.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement 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 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF LONSDALE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

2017 Changes

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

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 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

Changes in Actuarial Assumptions

- The assumed postretirement 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.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

**CITY OF LONSDALE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 5.50 percent to 5.25 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Plan Provisions

- A benefit level increase from \$2,500 to \$2,800 was reflected in the active liability.

SUPPLEMENTARY INFORMATION

**CITY OF LONSDALE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue		Capital Project		Debt Service		Total Nonmajor Governmental Funds
	Economic Development Fund	Police Facility	2021 Street Improvement	2012A G.O. Bond Fund	TIF Fund		
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 128,390	\$ -	\$ -	\$ 79,921	\$ 135,213	\$ 343,524	
Cash with Fiscal Agent	-	-	-	-	866,829	866,829	
Property Taxes Receivable	-	-	-	1,194	-	1,194	
Assessments Receivable	-	-	-	134,006	-	134,006	
Prepays	33	-	-	-	-	33	
Loans Receivable (Net)	60,057	-	-	-	-	60,057	
TOTAL ASSETS	<u>\$ 188,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,121</u>	<u>\$ 1,002,042</u>	<u>\$ 1,405,643</u>	
LIABILITIES							
Accounts Payable	\$ 1,000	\$ 17,606	\$ 45,268	\$ -	\$ -	\$ 63,874	
Salaries Payable	132	-	-	-	-	132	
Due to Other Funds	-	353,733	79,937	-	-	433,670	
Total Liabilities	1,132	371,339	125,205	-	-	497,676	
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue:							
Property Taxes	-	-	-	894	-	894	
Special Assessments	-	-	-	133,596	-	133,596	
Total Deferred Inflows of Resources	-	-	-	134,490	-	134,490	
FUND BALANCES							
Nonspendable	60,090	-	-	-	-	60,090	
Restricted	127,258	-	-	80,631	1,002,042	1,209,931	
Unassigned	-	(371,339)	(125,205)	-	-	(496,544)	
Total Fund Balances	187,348	(371,339)	(125,205)	80,631	1,002,042	773,477	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 188,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,121</u>	<u>\$ 1,002,042</u>	<u>\$ 1,405,643</u>	

CITY OF LONSDALE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue		Capital Project		Debt Service		Total Nonmajor Governmental Funds
	Economic Development Fund	Police Facility	2021 Street Improvement	2012A G.O. Bond Fund	TIF Fund		
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 65,403	\$ -	\$ -	\$ 65,403
Tax Increment	-	-	-	-	73,766	-	73,766
Special Assessments	-	-	-	42,829	-	-	42,829
Intergovernmental	245,000	-	-	-	-	-	245,000
Interest Income	869	-	-	-	15,238	-	16,107
Miscellaneous	3,948	-	-	-	-	-	3,948
TOTAL REVENUES	<u>249,817</u>	<u>-</u>	<u>-</u>	<u>108,232</u>	<u>89,004</u>	<u>-</u>	<u>447,053</u>
EXPENDITURES							
Current:							
Public Works	-	-	95,817	-	-	-	95,817
Economic Development	135,080	-	-	-	-	-	135,080
Capital Outlay	-	371,339	29,388	-	-	-	400,727
Debt Service:							
Principal	-	-	-	90,000	15,000	-	105,000
Interest and Other Charges	-	-	-	19,786	86,115	-	105,901
TOTAL EXPENDITURES	<u>135,080</u>	<u>371,339</u>	<u>125,205</u>	<u>109,786</u>	<u>101,115</u>	<u>-</u>	<u>842,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	114,737	(371,339)	(125,205)	(1,554)	(12,111)	-	(395,472)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	14,208	-	-	14,208
Transfers Out	(145,822)	-	-	-	-	-	(145,822)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(145,822)</u>	<u>-</u>	<u>-</u>	<u>14,208</u>	<u>-</u>	<u>-</u>	<u>(131,614)</u>
NET CHANGE IN FUND BALANCES	(31,085)	(371,339)	(125,205)	12,654	(12,111)	-	(527,086)
FUND BALANCES - BEGINNING	<u>218,433</u>	<u>-</u>	<u>-</u>	<u>67,977</u>	<u>1,014,153</u>	<u>-</u>	<u>1,300,563</u>
FUND BALANCES - ENDING	<u>\$ 187,348</u>	<u>\$ (371,339)</u>	<u>\$ (125,205)</u>	<u>\$ 80,631</u>	<u>\$ 1,002,042</u>	<u>\$ -</u>	<u>\$ 773,477</u>

**CITY OF LONSDALE, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/20	Issued	Paid	Outstanding Balance 12/31/20	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
GO Taxable Increment Bonds - 2009A	7/1/2009	5.25-6.80%	2/1/2036	\$ 940,000	\$ 895,000	\$ -	\$ 15,000	\$ 880,000	\$ 880,000
GO Improvement Bonds - 2012A	8/8/2012	2.00-2.60%	2/1/2028	1,385,000	885,000	-	90,000	795,000	90,000
GO Improvement Bonds - 2013B	9/30/2013	2.00-4.00%	2/1/2029	2,735,000	1,945,000	-	1,945,000	-	-
GO Improvement Bonds - 2015A	7/15/2015	2.00-3.50%	2/1/2031	1,335,000	1,095,000	-	85,000	1,010,000	85,000
GO Improvement Bond - 2016A	5/17/2016	0.77-3.00%	6/1/2031	1,625,000	1,320,000	-	105,000	1,215,000	100,000
GO Improvement Crossover Refunding Bonds - 2016B	10/6/2016	2.00%	2/1/2029	1,835,000	1,835,000	-	-	1,835,000	190,000
GO Taxable Increment Refunding Bonds - 2016C	10/12/2016	2.10-3.32%	2/1/2036	1,000,000	1,000,000	-	-	1,000,000	-
GO Improvement and Utility Revenue Bonds - 2017A	7/12/2017	2.00-3.00%	2/1/2033	960,000	905,000	-	55,000	850,000	55,000
GO Improvement and Utility Revenue Bonds - 2018A	7/9/2018	3.00-4.00%	2/1/2034	1,395,000	1,395,000	-	75,000	1,320,000	75,000
GO Improvement and Utility Revenue Bonds - 2020A	4/28/2020	2.10%	2/1/2036	2,050,000	-	2,050,000	-	2,050,000	-
TOTAL GOVERNMENTAL DEBTS				15,260,000	11,275,000	2,050,000	2,370,000	10,955,000	1,475,000
ENTERPRISE INDEBTEDNESS									
GO Revenue (PFA) Bonds - 2003	11/3/2003	2.34%	8/20/2023	6,644,792	1,661,791	-	401,000	1,260,791	411,000
GO Revenue (PFA) Bonds - 2011	6/9/2011	1.76%	8/20/2030	1,210,591	780,000	-	65,000	715,000	66,000
GO Improvement and Utility Revenue Bonds - 2017A	7/12/2017	2.00-3.00%	2/1/2032	1,275,000	1,050,000	-	115,000	935,000	115,000
GO Improvement and Utility Revenue Bonds - 2018A	7/9/2018	3.00-4.00%	2/1/2034	570,000	570,000	-	25,000	545,000	30,000
TOTAL ENTERPRISE DEBTS				9,700,383	4,061,791	-	606,000	3,455,791	622,000
TOTAL INDEBTEDNESS				<u>\$ 24,960,383</u>	<u>\$ 15,336,791</u>	<u>\$ 2,050,000</u>	<u>\$ 2,976,000</u>	<u>\$ 14,410,791</u>	<u>\$ 2,097,000</u>

OTHER REQUIRED REPORT

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Lonsdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lonsdale, Minnesota (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 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.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
May 12, 2021