

# **Comprehensive Annual Financial Report**

**Year Ended December 31, 2020**

**City of Owatonna, Minnesota**

# **CITY OF OWATONNA, MINNESOTA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

DEPARTMENT OF FINANCE

Rhonda L. Moen, CPA, CPFO  
Finance Director

Member of the Government Finance Officer's Association

Of the United States and Canada

**CITY OF OWATONNA, MINNESOTA**  
**Comprehensive Annual Financial Report**  
For the year ended December 31, 2020

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**CITY OF OWATONNA, MINNESOTA**  
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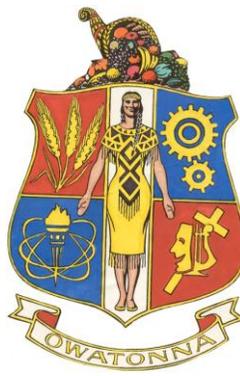
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# **INTRODUCTORY SECTION**

# THE CITY OF

# OWATONNA



Kris Busse  
City Administrator

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May 19, 2021

Honorable Mayor and  
Members of the City Council

State statutes require that the City publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Owatonna's financial statements for the year ended December 31, 2020. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The analysis complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Owatonna was organized as a municipality in 1854. The City of Owatonna is located on the Straight River in the heart of Southern Minnesota. The City's characteristic beauty, healthy economy, quality lifestyle and proximity to the Twin Cities Metropolitan Area are factors that have contributed to the City's substantial growth over the last ten years. The population has expanded from over 22,000 to over 25,000 in the last ten years. Owatonna is the county seat of Steele County and is located at the crossroads of Interstate 35 and U.S. Highways 14 and 218.

The City of Owatonna operates under a home-rule charter form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and seven other members, all elected on a non-partisan basis. The Mayor position is a non-voting position. Council members serve four-year terms, with half of the council up for election every other year. The mayor and one council member are elected at large, and the remaining members of the Council are elected by ward.

The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and other infrastructure; and other recreational and cultural activities. The City also provides water, sewer, storm water, gas, and electric services. The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Owatonna as legally defined), as well as its component units. A component unit is a legally separate entity for which the primary government is financially accountable. The Owatonna Housing & Redevelopment Authority and the Economic Development Authority are included as discretely presented component units.

The Council is required to hold at least one public hearing in early December of each year for discussion of the budget. Following this hearing, they are required to adopt a budget and certify their levy by December 28 of each year. This annual budget serves as the foundation for the City of Owatonna's financial planning and control. The budget is prepared by fund, department (i.e., street) and cost center (i.e., snow & ice removal). Amendments to the budget need approval from the Council. The legal level of control is at the fund level.

## **Local Economy**

Owatonna has developed from its agricultural heritage as a community with a diverse economy, including a strong industrial, financial, and service base. Owatonna is the home of many nationally renowned firms such as Federated Mutual Insurance Company, Bosch, Jostens, Daikin, Wenger Company, and others. Owatonna is strategically placed at the crossroads of I-35 and two major US highways, giving it one of the most accessible locations in the Midwest. Highway 14 connects half the employment centers in Southern Minnesota and three-quarters of the top employers. Owatonna consistently ranks among the livable small towns in the country.

The City of Owatonna owns four industrial parks: Crane Creek Industrial Site, Ebeling Industrial Area, Alexander Industrial Park and Sanders Industrial Addition. These four sites total an area of over 150 available acres within 1/2 mile of I-35, fully served by municipal infrastructure and direct rail access to the Dakota, Minnesota and Eastern Railroad, and Union Pacific Railroad.

Owatonna has more than 500 retail, wholesale and professional firms supporting its large industrial base. Boasting over 40 industrial firms, Owatonna's business community provides jobs for a labor force in excess of 17,000 people.

Despite Covid-19, the City experienced a record year for building permits, totaling over \$100 million in 2020. Major projects driving this growth included both industrial and multifamily residential projects. To name a few, they include Costco Depot, Minimizer, Bosch Automotive Services, The Pointe, Mound Street and Eastgate apartment complexes. The continued commercial and industrial growth is fueling the housing market. Owatonna (35) outpaced our neighboring cities of Faribault (22), North Mankato (18), Albert Lea (3), Austin (7), New Ulm (19) and Winona (6), in terms of new single family home permits issued in 2020. Owatonna was also the leader in total construction valuation in 2020 with \$104,000,000.

The city's LGA allocation was restored back to 2002 levels by the legislature which resulted in the city receiving an additional \$230,000. The city was careful to utilize these additional funds to begin to address long standing issues relating to hazardous buildings, a program to maximize grant funds and a downtown streetscape project. The City Council places a high priority on using these funds to advance the goals of the strategic plan, in this case, areas of Economic Vitality and Infrastructure.

The City continued its investment in capital improvement projects that reflect the priorities established in the strategic plan of infrastructure, quality of life, economic vitality, and efficient, effective government. Key items included: computer and technology replacements and upgrades, thermal imaging camera, architectural plans for fire station, city shop remodel, traffic signal optimization plan, airport hangar site prep and completion of a joint Transportation Plan between the City, Steele County and the School District. Key vehicles or equipment purchased through the VRF include squad cars, airport equipment, engineering vehicle, fire engine, parks mower, golf course sprayer, street sweeper, skid steer, chipper and backhoe. The building maintenance fund addressed some deferred maintenance needs throughout the city. The City owns a significant number of buildings and this fund is now able to fund some critical maintenance needs. Projects included repairs to the fire hall roof, fire hall boiler replacement, Social Commons kitchen remodel, Social Commons roof repair and Merrill Hall steps repair. A major library elevator repair was also completed utilizing savings resulting from the library being closed a significant portion of the year.

Major capital projects completed in 2020 include: bituminous pavement reconstruction of Greenhaven from Keller Place to Crestview, Cherry Street east of Bridge street to Brooktree parking lot including the trail, and new curb, gutter and street construction on Country Creek Lane NE and Evergreen Place. Work continues with the planned expansion at the Wastewater Treatment Plant. This expansion is key to continuing the steady industrial and residential growth Owatonna has enjoyed. The facility plan and Environmental Assessment Worksheet (EAW) have been submitted to the Minnesota Pollution Control Agency (MNPCA).

Highway 14, an important component of Owatonna's economic development success, received long awaited funding from the Corridors of Commerce program. Major construction began in the spring of 2020 to expand 12.5 miles of roadway from two lanes to four lanes. The project is moving forward as planned. It is anticipated that traffic will be on the new Highway 14 in the fall of 2021. This critical expansion project will elevate safety, infrastructure and the movement of freight and people and continue to aid Owatonna's economic growth.

The pandemic did impact some of Owatonna's small businesses but with the federally funded CARES Act, \$546K was granted by the City to support small businesses. The City also facilitated changes to allow outdoor dining and pick-up and delivery options to further support them. Even with these challenges, the City of Owatonna had a strong year in terms of economic development. Several major businesses opened in 2020, Costco Depot, Revol Greens, Daikan Applied, Rise Modular, James Brothers Construction, and Bushel Boy. The number and variety of projects in Owatonna is notable and a significant factor in the stability of the local economy. In October, a developer announced the construction of a new downtown hotel and another four-story apartment building. The hotel will be a Marriot Courtyard with 106 rooms. In addition, a new downtown 43-unit apartment complex, the Pearl, will be constructed at the same time. These two projects reflect a \$25 million-dollar investment in downtown. To compliment this investment, the city will be constructing a \$4.5 million streetscape resulting in new concrete street, wider sidewalks, improved alleyways and ADA accessibility and underground utilities. The goal of the project is to help create an energetic downtown, improve modes of traffic, incorporate green space and trees, improve pedestrian safety and bolster the city identity and brand.

### **Long-term Financial Planning**

Assigned and unassigned fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of next year's expenditures.

Included as part of the City's guiding principles are to exercise fiscal responsibility by ensuring the best use of tax dollars; empower employees and boards of the City of Owatonna to perform their duties with efficiency, quality, and the highest regard for the public trust; and accept only the highest standard of legal and ethical behavior by all who are elected or appointed to public office.

### **Major Initiatives**

City council members and department directors met, reviewed, and revised the City's three-year strategic plan for the City of Owatonna. After a thorough review of the existing objectives, progress made to date, and mission and vision, a revised plan was developed. Key focus areas were reviewed and confirmed for the next three-year period. The strategic objectives for 2020-2022 include infrastructure, economic vitality, quality of life and efficient, effective government.

### Infrastructure

The objective identified was to develop and implement fiscal sustainability policies to support core services that proactively ensure the health, safety, and welfare of our citizens: A priority in 2020 was to complete necessary long term planning documents. The city in collaboration with Steele County, and the School District completed an Owatonna 2040 Transportation plan. The plan elements were created in coordination with other city and county efforts and those of other key partners and Minnesota Department of Transportation. The Transportation plan informs policymakers on transportation infrastructure assets and needed investments while presenting findings in a comprehensive format to allow cooperation with city and county stakeholders. A traffic signal evaluation study was also completed in collaboration with Steele County. The study evaluated all signals in the city to determine if they still met traffic warrants, maintenance issues and future needs for signals. The city also invested in street maintenance. \$1,070,000 million was spent on bituminous pavement reconstruction in the residential areas and \$150,000 for street overlays.

The city has continued its sanitary sewer-lining program implemented in 2013. 9,200 linear feet of sewer was lined in 2020. This important program reduces the amount of inflow and infiltration (I & I) from entering the sanitary sewer system. Reducing I&I secures the WWTP capacity for treatment of sanitary waste and prolongs the timeframe for a capacity expansion of the facility. The city also completed sewer televising as needed. The City completes routine maintenance of sewer lines to include cleaning at least 20% of the system. The Wastewater Facility Plan and EAW was submitted to MPCA for review. The public comment period closed on the EAW, Facility Plan and discharge permit. The City in conjunction with the MPCA is currently working through the comments received from the public comment period.

The City also continued with flood mitigation efforts The Cardinal Drive, phase one, project was completed 2020. This is the first step in alleviating localized flooding in this area. Phase two of this project is planned for 2022. Private storm water improvements were completed in the Carriage Lane development in 2020 to compliment the city planned improvements for the area. The city will be installing a storm water pond in 2021.

The 10-year long-term facility plan is annually reviewed and integrated with 5-year CIP, which helps the city, focus on future issues/needs. These plans and the city's strategic plan were adjusted due to the financial impact of COVID-19 pandemic.

### Economic Vitality

This key focus area supports economic development efforts through collaboration with city enterprises, other public entities, Owatonna Partners for Economic Development (OPED) and private entities that attract, retain, and create quality jobs to ensure a diverse economic base, a resilient and growing tax base, and thriving neighborhoods. As detailed previously, staff assisted in expansion projects for industry and redevelopment projects impacting downtown commercial and multifamily housing options. The City of Owatonna is always striving to encourage and facilitate additional economic development through promotional activities and networking. However due to COVID-19, no broker events were held. The pandemic also cancelled the MN DEED familiarization tour. The City was fortunate that many projects were started in late 2019 and continued into 2020. The city focused on ways to help local business through the negative impacts of the shutdown. When the CARES Act funds were received, the city coordinated the administration of the small business grant program with Steele County making it an easy application process for businesses. With the announcement of the new downtown hotel, the city began the planning process for the streetscape on North Cedar Ave.

### Quality of Life

The objective is to maximize resources that provide quality of life city services and programs, including safety and security, adherence to the city services and economic vitality goals, enhancing conveniences for our citizens, and providing the art, cultural and recreational amenities befitting the size and geographic location of Owatonna. The City continues to make good progress in this area. The recently completed Parks and Trails System Master Plan has provided guidance in the logical expansion of the trail system. A needed trail gap was filled at Morehouse park in 2020 making the new route safer and more scenic. The Master plan has also opened more opportunities for grant funding. A grant application was filed for the 18<sup>th</sup> Street trail with plans to continue this trail to the new high school. The City through a partnership with the Soccer Association, has substantially completed the work on a new five field soccer complex. A grand opening is planned for the summer of 2021. Another important collaboration is with the “We All Play group”. This has been a multi-year effort to raise funds for an all-inclusive playground and miracle field to be in Manthey Park. The plan includes parking lot modifications and an additional access road. Equipment installation and construction is planned in early 2021. Because of the pandemic, the recreation department had to get creative to provide safe programing options for the public. Several new programs were developed from a virtual Bike and Brew to a “who melted Frosty?” Clue game, and self-guided Earth Day park clean up. River Springs Water park was one of the few water parks to open in the area with new COVID safety guidelines. The Library offered curbside service and virtual story times and other online resources.

Another critical component of quality of life must be safety and security. The city continues to enjoy a lower crime rate than the State of Minnesota average in all categories. Community engagement is an important continuing effort for the department, however due to COVID-19, many events were cancelled. Staff will be offering these opportunities again once restrictions allow. Examples include Night to Unite parties, Citizen Academy and Police Explorer program

### Efficient Effective Government

This key focus area seeks to provide an innovative, efficient, and customer-focused government working collaboratively; attract, develop, and retain a high performing municipal workforce: City government is a service-based industry and high performing, and well-trained employees are a critical component to our success. The city wants to create a culture of efficiency and continuous improvement. As a result, staff examines service areas for improvement and efficiencies. The city has found that contracting out certain services are cost effective. In 2020 the city contracted the golf course operations, cleaning of the Tennis and Fitness Center, Social Commons and Library. The city has also outsourced bar coding of library books resulting in saving in personnel. Still another way the city is creating a culture of efficiency includes incorporating various technology solutions. For example, auto locks in park restrooms, keyless entry in the Tennis and Fitness Center and self-check machines at the Library. The Council Chambers also received audio and video upgrades which facilitated remote meeting and improved public access.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Owatonna for its comprehensive annual financial report for the fiscal year ended December 31, 2019. This was the ninth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. Credit is also due to the auditing firm of CliftonLarsonAllen, LLP for their valuable contributions and advice. I would also like to thank the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Owatonna's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kris M. Busse".

Kris M. Busse  
City Administrator



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Owatonna  
Minnesota**

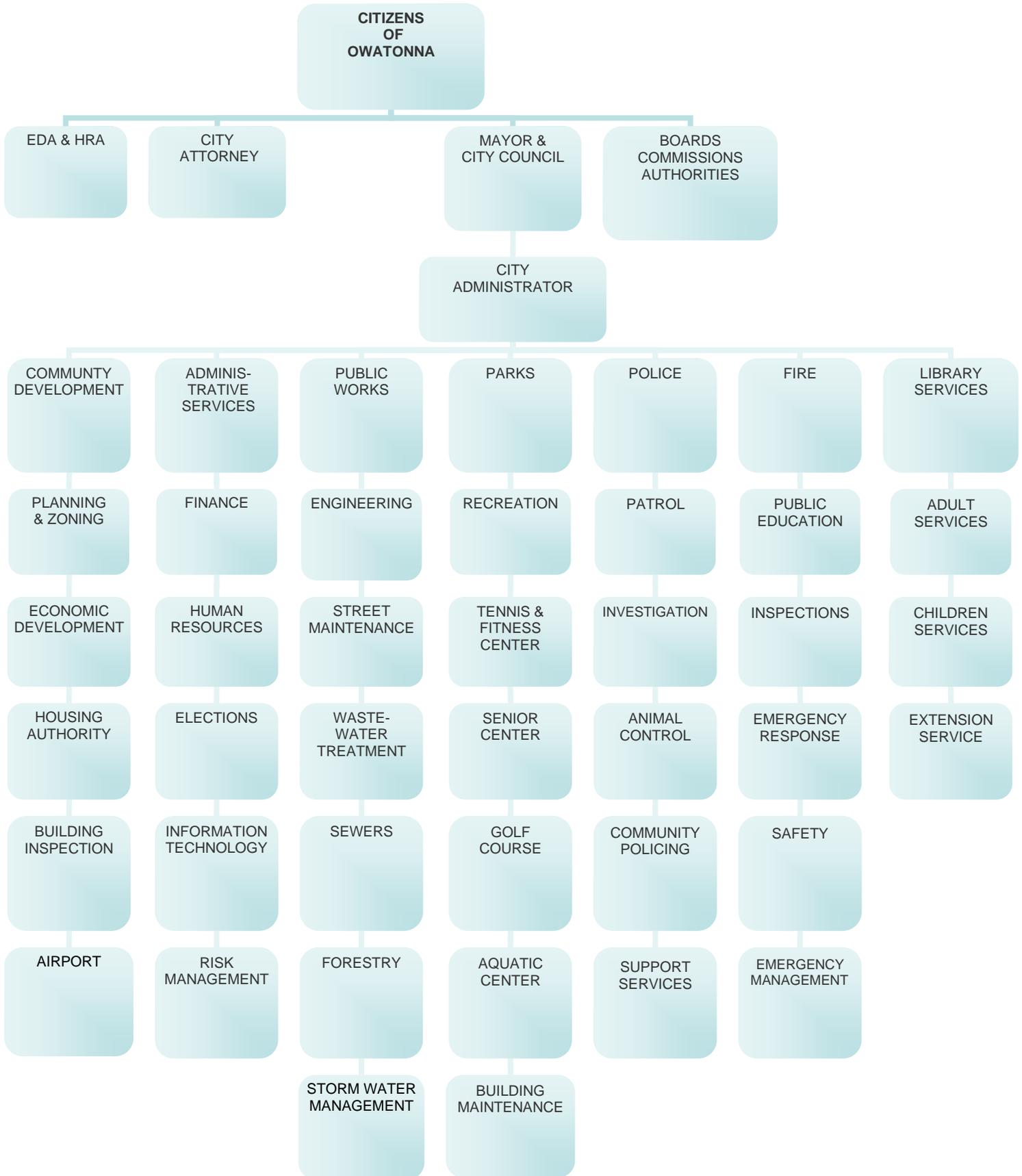
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO

# City of Owatonna, Minnesota Organization Chart



# City of Owatonna, Minnesota

## Elected and Appointed Officials

December 31, 2020

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### ***City Council:***

Thomas A. Kuntz	Mayor
Doug Voss	Council member at large
Jeff Okerberg	Council member at large
Nathan Dotson	Council member First Ward
Greg Schultz	Council member Second Ward
Dave Burbank	Council member Third Ward
Kevin Raney	Council member Fourth Ward
Brent Svenby	Council member Fifth Ward

### ***City Officials:***

Kris Busse	City Administrator
Kyle Skov	City Engineer/Director of Public Works
Keith Hiller	Chief of Police
Rhonda Moen	Finance Director
Michael J. Johnson	Fire Chief
Troy Klecker	Director of Community Development
Troy Klecker	Interim Director of Parks & Recreation
Mark M. Walbran	City Attorney

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Owatonna

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, 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.

### ***Auditors' Responsibility***

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

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

Honorable Mayor and  
Members of the City Council  
City of Owatonna

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, Minnesota as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows, and budgetary comparison for the General Fund, 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 management's discussion and analysis, the schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of the net pension liability, the schedule of city contributions, and the schedule of changes in net pension asset and related ratios – relief association, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Owatonna, Minnesota's basic financial statements. The introductory section, combining statements, capital assets used in the operation of governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and  
Members of the City Council  
City of Owatonna

**Other Matters (Continued)**

*Other Information (Continued)*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, May 19, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 19, 2021

## **Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the City of Owatonna's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter found on pages 1-6 and with the financial statements that follow.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Owatonna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$251,832,232 (net position). Of this amount, \$54,444,993 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$7,072,525.
- As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$27,264,224, an increase of \$1,287,927 from the previous year. Over 67% of this amount, \$18,275,780, is available for spending at the government's discretion (assigned, committed and unassigned fund balance).
- At the end of the current fiscal year, the assigned, committed and unassigned fund balance for the general fund was \$11,663,406, or 56.6% of total general fund expenditures for 2020.
- The City of Owatonna's long-term liabilities remained comparable to prior year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Owatonna's basic financial statements. The City of Owatonna's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide statements are designed to provide readers with a broad overview of the City of Owatonna's finances, in a manner similar to private sector business.

- The Statement of Net Position presents information on all of the City of Owatonna's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Owatonna is improving or deteriorating.

- The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned, but unused absences).

Both of the government-wide financial statements distinguish functions of the City of Owatonna that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Owatonna include general government, public safety, public works, culture and recreation, and housing and economic development. The business-type activities of the City of Owatonna include a sewer utility, storm water utility, and a municipal electric, water, and gas utility. The electric, water and gas utility, comprising the Owatonna Public Utilities, are under the direction of their Board of Commissioners.

The government-wide financial statements include not only the City of Owatonna itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) for which the City of Owatonna is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26-29 of this report.

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

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

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

The City of Owatonna maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered major funds. Data from the other 23 funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 32-41 of this report.

Proprietary funds. The City of Owatonna maintains five different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Owatonna uses enterprise funds to account for its sewer utility, storm water utility, electric, water and gas utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Owatonna's various functions. The City of Owatonna uses internal service funds to account for its risk management program and its vehicle replacement program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, storm water fund, and the municipal electric, water, and gas funds, which are considered to be major funds of the City of Owatonna.

The basic proprietary fund financial statements can be found on pages 42-47 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-86 of this report.

**Other information.** Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, the statistical section presents trend information, revenue capacity information, debt capacity information, demographics and economic information, and operating information.

## **City as a Whole**

### *Government-wide Financial Statements*

Net Position serves as a useful indicator of a government's financial position. For the City of Owatonna, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$251.8 million at the end of the current year. The largest portion of the City's net position are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt (\$184.5 million, or 73.3%). The City uses these capital assets to provide services to its citizens; thus they do not represent resources available for future spending. An additional portion of the City of Owatonna's net position (\$12.9 million or 5.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$54.4 million or 21.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's financial position improved during 2020 with their net position increasing by \$7.0 million from \$244.8 million to \$251.8 million.

A condensed version of the Statement of Net Position at December 31, 2020 follows:

**Net Position at Year-end**  
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2020	2019	2020	2019	2020
Cash and investments	\$28.6	\$28.0	\$49.3	\$50.8	\$77.9
Other assets	7.8	6.2	9.4	9.8	17.2
Capital assets	94.2	94.7	111.0	105.2	205.2
Total assets	<u>130.6</u>	<u>128.9</u>	<u>169.7</u>	<u>165.8</u>	<u>300.3</u>
Deferred outflows of resources	<u>2.7</u>	<u>4.5</u>	<u>.4</u>	<u>.4</u>	<u>3.1</u>
Other liabilities	4.5	4.4	8.8	9.1	13.3
Long term outstanding	23.3	22.2	10.4	11.0	33.7
Total liabilities	<u>27.8</u>	<u>26.6</u>	<u>19.2</u>	<u>20.1</u>	<u>47.0</u>
Deferred inflows of resources	<u>4.3</u>	<u>7.1</u>	<u>.3</u>	<u>1.0</u>	<u>4.6</u>
Net position:					
Net investment in capital assets	79.9	80.2	104.6	98.1	184.5
Restricted	12.9	11.7			12.9
Unrestricted	8.4	7.8	46.0	47.0	54.4
Total net position	<u>\$101.2</u>	<u>\$99.7</u>	<u>\$150.6</u>	<u>\$145.1</u>	<u>\$251.8</u>

**Governmental activities.** Governmental activities provided a \$1.5 million increase to the City's net position.

A condensed version of the Statement of Activities follows:

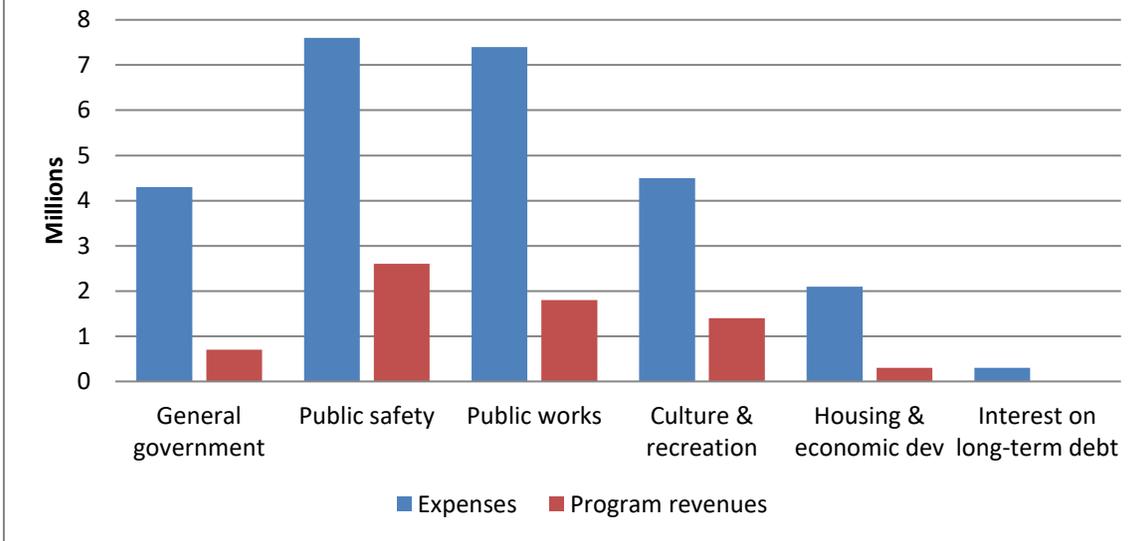
**Governmental and Proprietary Activities**  
**For the year ended December 31, 2020**  
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2020	2019	2020	2019	2020
<b>Revenues</b>					
<b>Program revenues</b>					
Charges for services	\$2.7	\$3.2	\$62.8	\$64.6	\$65.5
Grants and contributions					
Operating	2.5	1.7			1.9
Capital	1.6	2.9		.2	1.6
<b>General revenues</b>					
Taxes	14.5	13.9	.3	.3	14.8
Interest	.4	.7	.7	1.1	1.1
Sale of capital assets				.5	
Grants and contributions	5.4	4.4			6.0
<b>Total revenues</b>	<b>27.1</b>	<b>26.8</b>	<b>63.8</b>	<b>66.7</b>	<b>90.9</b>
<b>Expenses</b>					
General government	4.3	3.5			4.3
Public safety	7.6	7.3			7.6
Public works	7.4	7.8			7.4
Culture and recreation	4.5	5.2			4.5
Housing & economic dev	2.1	1.2			2.1
Miscellaneous					
Interest on long-term debt	.3	.4			.3
Sewer			2.7	2.9	2.7
Storm water			.7	.8	.7
Electric			39.1	38.9	39.1
Water			3.4	3.2	3.4
Gas			11.8	12.9	11.8
<b>Total expenses</b>	<b>26.2</b>	<b>25.4</b>	<b>57.7</b>	<b>58.7</b>	<b>83.9</b>
Excess (deficiency) before transfers	.9	1.4	6.1	8.0	7.0
Transfers	.6	.4	(.6)	(.4)	
Change in net position	1.5	1.8	5.5	7.6	7.0
Beginning net position	99.7	97.9	145.1	137.5	244.4
<b>Ending net position</b>	<b>\$101.2</b>	<b>\$99.7</b>	<b>\$150.6</b>	<b>\$145.1</b>	<b>\$251.8</b>

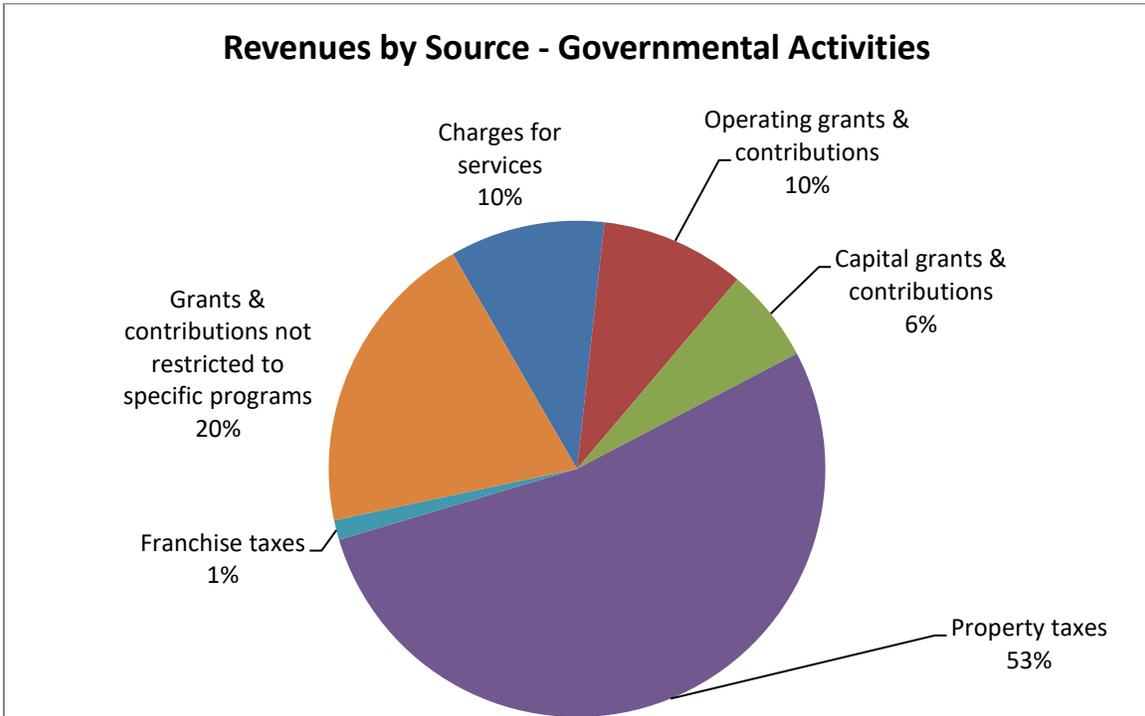
**Business-type activities.** Business-type activities provided a \$5.5 million increase to the City's total net position. Key elements of this increase are as follows:

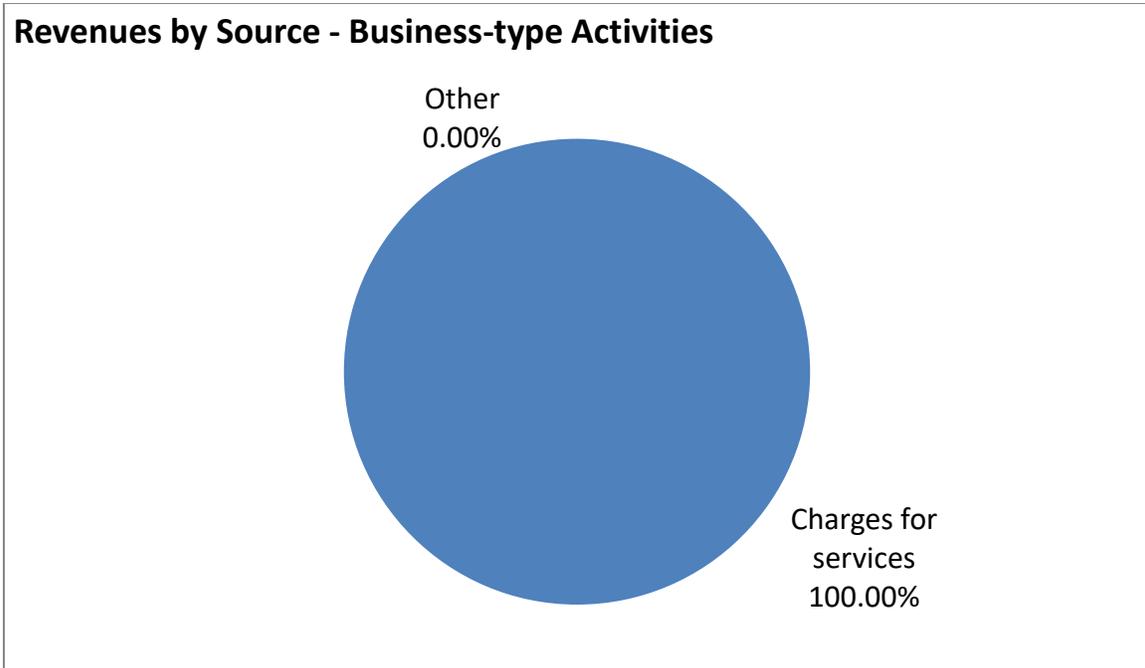
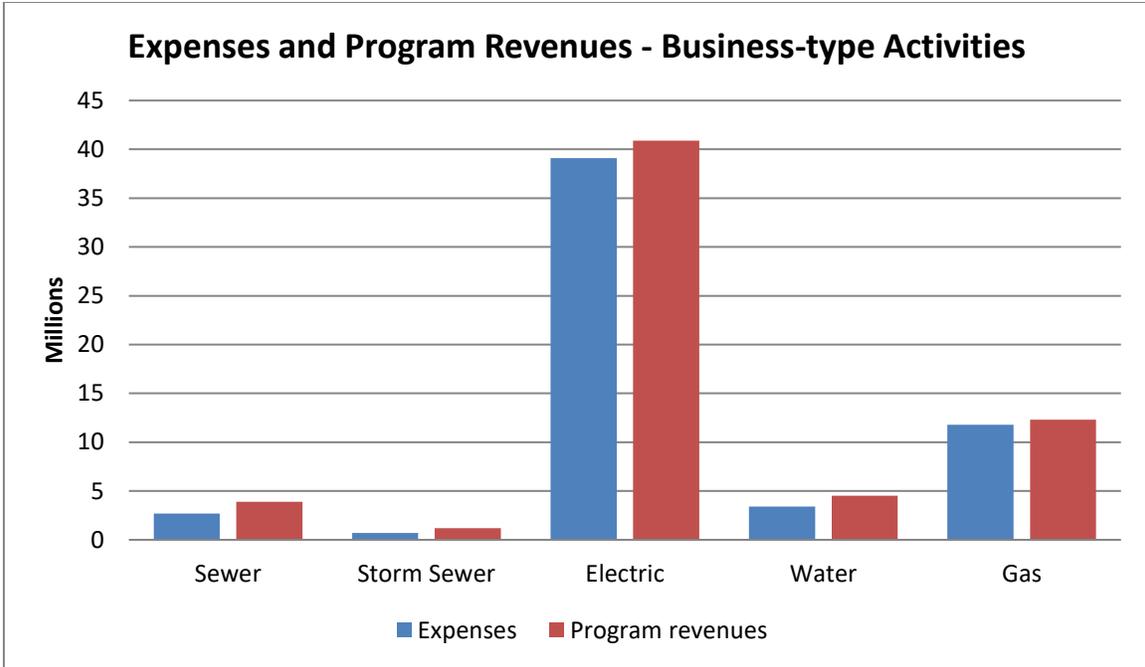
- \$3.8 million increase is attributable to the operations of the municipal electric, gas, and water utilities.
- The Sewer fund had a gain from operations of \$0.9 million.
- The Storm Water fund had a gain from operations of \$0.8 million.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities





## Financial Analysis of the Government's Funds

As noted earlier, the City of Owatonna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Owatonna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Owatonna's financing requirements. In particular, the City's assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$27.3 million, a \$1.3 million increase from the prior year. Over half of this total amount (\$18.3 million) constitutes assigned, committed and unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it is already either in nonspendable form, or restricted for 1) various capital projects (\$2.5 million), or 2) debt service (\$5.9 million), or 3) a variety of other restricted purposes (\$0.6 million).

The general fund is the chief operating fund of the City of Owatonna. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$11.1 million, while total fund balance was \$11.8 million. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance and total fund balance to total fund expenditures for 2020. Assigned and unassigned fund balance represents 56.6% of total general fund expenditures, while total fund balance represents 57.5% of that same amount.

The fund balance of the City of Owatonna's general fund increased by \$0.5 million during the current fiscal year. Key factors in this increase are as follows:

- The City received \$1.965 million in CARES funding in 2020. This increase was offset by substantial decreases in revenues due to COVID during 2020.
- The City had a record setting year for building permit valuations, which resulted \$0.2 million in higher permit revenues
- Expenditures were very different than originally planned. Unbudgeted COVID expenditures totaled \$1.2 million. City significantly reduced expenditures, implemented a hiring freeze, furloughed part-time employees, and were able to cover the reduced revenues. Spending reductions offset the unbudgeted COVID expenditures.

The debt service fund has a fund balance of \$5.9 million, all of which is restricted for the payment of debt service. There was an increase of \$0.2 million in fund balance during the year. The government collected \$1.3 million in debt service levy and \$0.7 million in assessments. \$1.6 million in debt was retired in 2020 plus \$0.4 million in interest costs. The debt service fund received a transfer of \$0.1 million from a non-major governmental fund which represented tax increment collected for the purpose of paying TIF bonds.

The capital projects fund has a fund balance of \$9.0 million, of which \$1.5 million is restricted for specific capital projects, \$6.1 million has been assigned for future capital projects and the council has committed \$1.4 million for specific capital projects. There was an increase of \$1.2 million in fund balance during the current year. This increase was due to the City council transferring funds and committing them for two future projects. The capital projects fund received improvement bond proceeds, including premium, of \$1.8 million in 2020.

There was a decrease of \$0.6 million in fund balance for the nonmajor governmental funds in 2020. This was due to a two TIF districts, both nonmajor governmental funds, incurring \$0.9 million in site improvements during the year.

**Proprietary funds.** The City of Owatonna's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year was \$18.5 million for the sewer fund, \$3.0 million for the storm water fund, \$24.6 million for the municipal electric, water and gas utilities. The total change in net position was \$0.9 million for the sewer fund, \$0.8 million for the storm water fund, \$3.8 million for the municipal electric, water and gas utilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Owatonna's business-type activities.

### **Budgetary Highlights**

The current year budget included revenues equal to expenditures for the general fund. Actual expenditures were within the budgeted amount. Additional information on the budget can be found in note III.A. on page 58 of the basic financial statements.

Due to COVID, actual results varied greatly from the original budget, although in total, revenues and expenditures were both within the original budget parameters.

### **Capital Assets and Debt Administration**

**Capital Assets.** The City of Owatonna's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$205.2 million (net of accumulated depreciation). This investment in capital assets includes land and other rights, building, improvements, equipment, park facilities, roads, bridges, and utility systems. The total decrease in the City of Owatonna's investment in capital assets for the current fiscal year was 3.6% (a .5% decrease for governmental activities and a 5.5% increase for business-type activities).

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

- Vehicle acquisitions of \$1.0 million.
- Street reconstruction projects including a petitioned street project for \$0.1 and the 2020 Street and Utility project for \$1.1 million.
- There were \$0.4 million in storm water improvements completed as part of the current year street improvement projects.
- Various system improvements were completed for the municipal water, electric and gas utilities at cost of \$10.0 million.

**Capital Assets at Year-end**  
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land and other rights	\$8.8	\$8.8	\$3.9	\$3.1	\$12.7	\$11.9
Buildings	25.7	23.1	47.6	47.5	73.3	71.6
Improvements	1.3	1.2			1.3	1.2
Equipment	16.4	15.5	17.4	18.1	33.8	33.6
Infrastructure	123.2	122.0	113.1	103.9	236.3	225.9
Construction in Progress	1.0	1.9	6.1	7.1	7.1	9.0
Subtotal	176.4	172.5	188.1	179.7	364.5	352.2
Accumulated depreciation	82.2	77.8	77.1	74.5	159.3	152.3
Capital assets, net	<u>\$94.2</u>	<u>\$94.7</u>	<u>\$111.0</u>	<u>\$105.2</u>	<u>\$205.2</u>	<u>\$199.9</u>

Additional information on the City's capital assets can be found in note IV.D. on pages 63-64 of the basic financial statements.

**Long-term Debt.** At year-end, the City had \$19.1 million in bonds and notes outstanding. There was \$1.5 million of debt issued in 2020. There was a total of \$2.6 million in debt retired during the year.

**Debt Outstanding at Year-end**  
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
G.O. Bonds	\$6.3	\$5.5			\$5.5	\$5.5
G.O. Improvement Bonds	6.3	7.1			7.1	7.1
G.O. Tax Increment Bonds	.6	.7			.7	.7
G.O. Revenue Bonds			\$3.2	\$3.6	3.6	3.6
Revenue Bonds			2.8	3.4	3.4	3.4
Total bonds payable	<u>\$13.2</u>	<u>\$13.3</u>	<u>\$6.0</u>	<u>\$7.0</u>	<u>\$19.2</u>	<u>\$20.3</u>

The City's bond rating is Aa2 from Moody's Investor Services. Other obligations include compensated absences. More detailed information on the City's long-term liabilities is presented in note IV.G. on pages 65-69 of the basic financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

- The COVID-19 pandemic has impacted the City revenue levels and operations. The City has been very strategic in planning for the continued effects of this situation. This will include utilizing the funds received from the American Recovery Plan in 2021-2022.
- The State of Minnesota legislature attempts to reach an agreement on the funding level of LGA on an annual basis. This has proven to be a contentious issue each legislative session and has a potential to be at risk due to the pandemic as the State's total revenues have been greatly impacted. The uncertainty of future LGA funding levels does create a challenge.
- The City of Owatonna has established a building maintenance fund in order to address the maintenance needs of the many buildings the City owns. The funding for this began in 2018.
- The City of Owatonna has seen its population increase 15.5% since the 2000 census.
- The City of Owatonna was at record low local unemployment rates prior to the pandemic. Development activity has remained busy and it is assumed employment numbers will bounce back as well.

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the city maintain a balance between thirty and fifty percent of fund operating revenues or no less than 5 months of operating expenditures. The committed, assigned and unassigned fund balance of the general fund, which is the equivalent of "unrestricted fund balance" at the end of the current fiscal year equaled 54.8% of next years' budgeted expenditures.

## **Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 540 West Hills Circle, Owatonna, Minnesota 55060.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF OWATONNA, MINNESOTA**  
**Statement of Net Position**  
December 31, 2020

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Housing &amp; Redevelopment Activities</b>	<b>Economic Development Activities</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$5,397,240	\$13,553,536	\$18,950,776	\$218,000	\$584,497
Investments	23,173,210	35,705,173	58,878,383		1,500,000
Interest receivable	150,932		150,932		150
Taxes receivable - delinquent	183,170		183,170	2,426	
Accounts receivable	249,666	6,943,129	7,192,795	2,693	25,937
Assessments receivable	3,049,041	24,085	3,073,126		
Due from other governments	1,339,733		1,339,733	37,524	
Due from component units	1,848		1,848		
Inventories	32,281	844,931	877,212		
Land held for resale		1,121,477	1,121,477	184,208	2,374,842
Loans receivable	53,527		53,527	6,170	1,460,449
Prepaid items	869,473		869,473		
Internal balances	158,039	(158,039)			
Restricted assets:					
Cash and cash equivalents				25,435	
Other assets		660,266	660,266		
Net Pension Asset	1,688,256		1,688,256		
Capital assets:					
Land and land rights	8,830,867	3,929,627	12,760,494		246,851
Buildings	25,690,060	47,567,202	73,257,262	52,000	
Improvements other than buildings	1,251,505		1,251,505		
Equipment	16,380,537	17,438,823	33,819,360		
Infrastructure	123,186,530	113,130,820	236,317,350		
Construction in progress	1,028,484	6,089,757	7,118,241		
Less: accumulated depreciation	(82,162,105)	(77,114,116)	(159,276,221)	(17,928)	
Total assets	<u>130,552,294</u>	<u>169,736,671</u>	<u>300,288,965</u>	<u>510,528</u>	<u>6,192,726</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	2,618,004	404,817	3,022,821		
Other post-empl benefits related	145,128	24,078	169,206		
	<u>2,763,132</u>	<u>428,895</u>	<u>3,192,027</u>		

<b>LIABILITIES</b>					
Accounts payable	\$1,001,173	\$7,041,631	\$8,042,804	\$7,411	\$89,866
Retainage payable	75,834	33,090	108,924		
Accrued wages	389,964	120,538	510,502		
Accrued interest payable	162,269	42,740	205,009		
Deposits	58,000		58,000	24,634	
Surcharges payable	16,881		16,881		
Unearned revenue	20,396	547,390	567,786	17,488	
Due to other governments				20,364	
Due to primary government					1,848
Noncurrent liabilities:					
Due within one year	2,730,000	1,000,000	3,730,000		
Due in more than one year	13,513,484	5,298,099	18,811,583		
Accrued OPEB liability	643,850	257,907	901,757		
Net pension liability	9,189,155	4,900,035	14,089,190		
	<u>27,801,006</u>	<u>19,241,430</u>	<u>47,042,436</u>	<u>69,897</u>	<u>91,714</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	3,676,056	258,232	3,934,288		
Other post-empl benefits related	593,100	45,251	638,351		
Gain on bond refunding		33,685	33,685		
	<u>4,269,156</u>	<u>337,168</u>	<u>4,606,324</u>		
<b>NET POSITION</b>					
Net investment in capital assets	79,875,698	104,622,010	184,497,708	34,072	246,851
Restricted for:					
Library Hunewill	16,500		16,500		
Library memorials	365,859		365,859		
Net pension asset	1,688,256		1,688,256		
Debt service	8,218,881		8,218,881		
Dam repair	45,733		45,733		
Grant projects	21		21		
Capital projects	2,547,887		2,547,887		
Economic development	6,394		6,394		5,809,797
Unrestricted	8,480,035	45,964,958	54,444,993	406,559	44,364
	<u>8,480,035</u>	<u>45,964,958</u>	<u>54,444,993</u>	<u>406,559</u>	<u>44,364</u>
Total Net Position	<u>\$101,245,264</u>	<u>\$150,586,968</u>	<u>\$251,832,232</u>	<u>\$440,631</u>	<u>\$6,101,012</u>

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

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Activities**  
For the year ended December 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$4,318,885	\$396,420	\$162,619	\$188,395
Public safety	7,595,141	1,033,653	1,537,397	
Public works	7,367,252	478,469	300,354	1,040,871
Culture and recreation	4,474,475	754,448	519,273	96,023
Housing & economic development	2,077,187	39,313		315,399
Interest on long-term debt	351,113			
Total governmental activities	<u>26,184,053</u>	<u>2,702,303</u>	<u>2,519,643</u>	<u>1,640,688</u>
Business-type activities:				
Sewer	2,732,848	3,894,053		
Storm water	685,583	1,208,514		
Electric	39,131,242	40,916,882		
Water	3,366,652	4,465,627		
Gas	11,799,218	12,316,516		
Total business-type activities	<u>57,715,543</u>	<u>62,801,592</u>		
Total primary government	<u>\$83,899,596</u>	<u>\$65,503,895</u>	<u>\$2,519,643</u>	<u>\$1,640,688</u>
Component Units:				
Housing & redevelopment authority	\$1,312,164	\$46,280	\$1,022,314	
Economic development authority	1,102,199	72,724	820,379	
Component Unit	<u>\$2,414,363</u>	<u>\$119,004</u>	<u>\$1,842,693</u>	

General revenues:  
Property taxes  
Lodging tax  
Franchise taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Gain on sale of capital assets  
Transfers  
Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

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

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Authority	Economic Development Authority
\$ (3,571,451)		\$ (3,571,451)		
(5,024,091)		(5,024,091)		
(5,547,558)		(5,547,558)		
(3,104,731)		(3,104,731)		
(1,722,475)		(1,722,475)		
(351,113)		(351,113)		
<u>(19,321,419)</u>		<u>(19,321,419)</u>		
	\$1,161,205	\$1,161,205		
	522,931	522,931		
	1,785,640	1,785,640		
	1,098,975	1,098,975		
	517,298	517,298		
	<u>5,086,049</u>	<u>5,086,049</u>		
			\$ (243,570)	\$ (209,096)
			<u>(243,570)</u>	<u>(209,096)</u>
14,203,825	312,070	14,515,895	185,639	185,000
343,202		343,202		140,776
5,351,753		5,351,753		
387,414	698,614	1,086,028	2,858	28,839
	11,017	11,017		
606,296	(606,296)			
<u>20,892,490</u>	<u>415,405</u>	<u>21,307,895</u>	<u>188,497</u>	<u>354,615</u>
1,571,071	5,501,454	7,072,525	(55,073)	145,519
<u>99,674,193</u>	<u>145,085,514</u>	<u>244,759,707</u>	<u>495,704</u>	<u>5,955,493</u>
<u>\$101,245,264</u>	<u>\$150,586,968</u>	<u>\$251,832,232</u>	<u>\$440,631</u>	<u>\$6,101,012</u>

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## **Major Funds**

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### **Governmental**

#### ***General Fund***

This fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are state and county shared revenue and property taxes.

#### ***Debt Service Fund***

This fund was established to account for the accumulation of special assessments levied against property for improvements which are a benefit to such property, the debt service tax levy for the non-assessable portion of projects, and any other source of funding related to debt service. These resources are used for the payment of principal and interest on the debt of the City.

#### ***Capital Projects Fund***

This fund was established to account for financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

### **Proprietary**

The City's enterprise funds are used to account for self-supporting activities that render services to the general public on a user charge basis.

#### ***Sewer Fund***

This fund accounts for the income and expenses in the operation of the sanitary sewer collection function and wastewater treatment.

#### ***Storm Water Fund***

This fund accounts for the income and expenses in the operation of the storm water management function.

#### ***Electric Fund***

This fund accounts for the income and expenses in the operation of the electric distribution function.

#### ***Water Fund***

This fund accounts for the income and expenses in the operation of the water distribution function.

#### ***Gas Fund***

This fund accounts for the income and expenses in the operation of the gas distribution function.

**CITY OF OWATONNA, MINNESOTA**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2020

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>ASSETS</b>			
Cash	\$246,053	\$2,785,190	\$1,413,359
Investments	11,843,210	3,000,000	6,150,000
Interest receivable	150,932		
Taxes receivable – delinquent	183,170		
Accounts receivable	246,138		
Assessments receivable		2,612,195	436,846
Due from other funds	2,183		838
Due from other governments	323,791		1,015,942
Inventories	32,281		
Advance to other funds	121,136		876,319
Loans receivable			53,527
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$13,148,894</u>	<u>\$8,397,385</u>	<u>\$9,946,831</u>
<b>LIABILITIES</b>			
Accounts payable	\$633,132	\$705	\$303,158
Retainage payable			50,803
Accrued wages	389,964		
Surcharges payable	16,881		
Deposits	58,000		
Unearned revenue	19,396		1,000
Due to other funds	2,586	15,530	
Advance from other funds			121,136
Total liabilities	<u>1,119,959</u>	<u>16,235</u>	<u>476,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	165,504	2,528,517	467,710
Total deferred inflows of resources	<u>165,504</u>	<u>2,528,517</u>	<u>467,710</u>
<b>FUND BALANCES</b>			
Fund Balances			
Nonspendable:			
Inventories	32,281		
Advance to other funds	121,136		
Restricted for:			
Library Hunewill			
Library memorial			
Debt service		5,852,633	
Dam repair	45,733		
Airport programs	875		
Grant projects			
Capital projects			1,479,111
Economic development			
Committed for:			
Capital projects			1,408,436
Assigned for:			
Capital projects			6,115,477
Compensated absences/OPEB	3,119,384		
Unassigned	8,544,022		
Total fund balances	<u>11,863,431</u>	<u>5,852,633</u>	<u>9,003,024</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$13,148,894</u>	<u>\$8,397,385</u>	<u>\$9,946,831</u>

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

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$567,142	\$5,011,744
900,000	21,893,210
	150,932
	183,170
	246,138
	3,049,041
	3,021
	1,339,733
	32,281
	997,455
	53,527
<u>\$1,467,142</u>	<u>\$32,960,252</u>
\$9,549	\$946,544
25,031	75,834
	389,964
	16,881
	58,000
	20,396
11,107	29,223
876,319	997,455
<u>922,006</u>	<u>2,534,297</u>
	<u>3,161,731</u>
	<u>3,161,731</u>
	32,281
	121,136
16,500	16,500
365,859	365,859
	5,852,633
	45,733
	875
21	21
1,067,901	2,547,012
6,394	6,394
	1,408,436
	6,115,477
	3,119,384
(911,539)	7,632,483
<u>545,136</u>	<u>27,264,224</u>
<u>\$1,467,142</u>	<u>\$32,960,252</u>

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**CITY OF OWATONNA, MINNESOTA**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the**  
**Statement of Net Position**  
December 31, 2020

Fund balance – total governmental funds	\$27,264,224
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	90,371,933
Net Pension Asset is included in the Statement of Net Position.	1,688,256
Deferred pension outflows of \$2,618,004 and inflows of \$(3,676,056) are included in the Statement of Net Position.	(1,058,052)
Deferred other post-employment benefits outflows of \$145,128 and inflows of \$(593,100) are included in the Statement of Net Position	(447,972)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds.	(26,238,758)
Internal service fund assets and liabilities are included in governmental activities in the Statement of Net Position.	6,503,902
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	3,161,731
Net Position of Governmental Activities	<u><u>\$101,245,264</u></u>

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

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the year ended December 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>REVENUES</b>			
Taxes	\$11,299,132	\$1,343,083	\$705,000
Licenses and permits	570,608		
Intergovernmental revenue	7,688,827		1,060,625
Charges for service	1,415,474		
Fines and forfeits	137,314		
Special assessments		688,533	124,081
Interest on investments	176,425	71,913	116,486
Miscellaneous	408,698		81,487
Total revenues	<u>21,696,478</u>	<u>2,103,529</u>	<u>2,087,679</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,868,465		
Public safety	7,724,843		
Public works	4,378,073		
Culture and recreation	4,090,156		
Housing & economic development	316,033		
Miscellaneous		2,100	80,239
Capital outlay	236,673		3,706,184
Debt service:			
Principal retired		1,625,000	
Interest and service charges		439,427	47,440
Total expenditures	<u>20,614,243</u>	<u>2,066,527</u>	<u>3,833,863</u>
Excess of revenues over (under) expenditures	<u>1,082,235</u>	<u>37,002</u>	<u>(1,746,184)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issuance			1,545,000
Premium on bonds			227,124
Transfers out	(1,200,000)		
Transfers in	627,700	150,920	1,200,000
Total other financing sources (uses)	<u>(572,300)</u>	<u>150,920</u>	<u>2,972,124</u>
Net change in fund balance	509,935	187,922	1,225,940
Fund balance - beginning	<u>11,353,496</u>	<u>5,664,711</u>	<u>7,777,084</u>
Fund balance – ending	<u>\$11,863,431</u>	<u>\$5,852,633</u>	<u>\$9,003,024</u>

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

<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,113,041	\$14,460,256
	570,608
	8,749,452
	1,415,474
	137,314
	812,614
22,590	387,414
170,389	660,574
<u>1,306,020</u>	<u>27,193,706</u>
	3,868,465
	7,724,843
	4,378,073
	4,090,156
1,744,066	2,060,099
46,904	129,243
	3,942,857
	1,625,000
	486,867
<u>1,790,970</u>	<u>28,305,603</u>
<u>(484,950)</u>	<u>(1,111,897)</u>
	1,545,000
	227,124
(150,920)	(1,350,920)
	1,978,620
<u>(150,920)</u>	<u>2,399,824</u>
(635,870)	1,287,927
<u>1,181,006</u>	<u>25,976,297</u>
<u>\$545,136</u>	<u>\$27,264,224</u>

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**CITY OF OWATONNA, MINNESOTA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and 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	\$1,287,927
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$3,980,839) exceeded depreciation (\$4,188,747) in the current period.	(207,908)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(215,087)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(123,517)
Net changes in the net pension asset/liability and the additions and amortization of deferred inflows and outflows related to pensions in the Statement of Activities.	471,807
Net changes in the net other post-employment benefits liability and the additions and amortization of deferred inflows and outflows related to other post-employment in the Statement of Activities.	32,666
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.	(35,821)
The net revenue (expense) of the internal service funds is reported with governmental activities.	<hr style="width: 100%;"/> 361,004
Change in Net Position of Governmental Activities	<hr style="width: 100%;"/> <b>\$1,571,071</b> <hr style="width: 100%;"/>

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

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
For the year ended December 31, 2020

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$11,344,801	\$11,344,801	\$11,299,132	\$(45,669)
Licenses and permits	403,625	403,625	570,608	166,983
Intergovernmental revenue	5,853,918	5,853,918	7,688,827	1,834,909
Charges for service	2,078,223	2,078,223	1,415,474	(662,749)
Fines and forfeits	183,500	183,500	137,314	(46,186)
Interest on investments	110,000	110,000	176,425	66,425
Miscellaneous	326,573	326,573	408,698	82,125
<b>Total revenues</b>	<u>20,300,640</u>	<u>20,300,640</u>	<u>21,696,478</u>	<u>1,395,838</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Mayor & council	351,776	351,776	918,806	(567,030)
Administrative services	1,806,511	1,806,511	1,850,869	(44,358)
City attorney	257,606	257,606	246,434	11,172
Government buildings	1,008,593	1,008,593	852,356	156,237
<b>Total general government</b>	<u>3,424,486</u>	<u>3,424,486</u>	<u>3,868,465</u>	<u>(443,979)</u>
Public safety				
Police	5,413,800	5,413,800	5,446,716	(32,916)
Fire	1,778,283	1,778,283	1,767,527	10,756
Building inspection	422,380	422,380	510,600	(88,220)
<b>Total public safety</b>	<u>7,614,463</u>	<u>7,614,463</u>	<u>7,724,843</u>	<u>(110,380)</u>
Public works				
Engineering	938,862	938,862	895,635	43,227
Street maintenance	3,189,623	3,189,623	2,999,646	189,977
Airport	439,623	439,623	482,792	(43,169)
<b>Total public works</b>	<u>4,568,108</u>	<u>4,568,108</u>	<u>4,378,073</u>	<u>190,035</u>
Culture and recreation				
Library	1,275,695	1,275,695	1,044,241	231,454
Park & rec administration	260,487	260,487	236,476	24,011
Park maintenance	1,472,438	1,472,438	1,426,781	45,657
Recreation – adult	89,793	89,793	59,562	30,231
Recreation – youth	419,643	419,643	285,664	133,979
Tennis & fitness center	326,582	326,582	148,598	177,984
Social commons	135,024	135,024	82,527	52,497
Aquatic center	274,894	274,894	154,182	120,712
Brooktree golf course	547,992	547,992	652,125	(104,133)
<b>Total culture and recreation</b>	<u>4,802,548</u>	<u>4,802,548</u>	<u>4,090,156</u>	<u>712,392</u>
Housing & economic development				
Planning & zoning	318,735	318,735	316,033	2,702
<b>Total housing &amp; economic develop</b>	<u>318,735</u>	<u>318,735</u>	<u>316,033</u>	<u>2,702</u>

(Continued)

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

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund (Continued)**  
For the year ended December 31, 2020

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$0	\$0	\$236,673	\$(236,673)
Total expenditures	<u>20,728,340</u>	<u>20,728,340</u>	<u>20,614,243</u>	<u>114,097</u>
Excess of revenues over (under) expenditures	(427,700)	(427,700)	1,082,235	(1,509,935)
OTHER FINANCING SOURCES (USES)				
Transfers out	(200,000)	(200,000)	(1,200,000)	1,200,000
Transfers in	<u>627,700</u>	<u>627,700</u>	<u>627,700</u>	
Total other financing sources and uses	<u>427,700</u>	<u>427,700</u>	<u>(572,300)</u>	<u>1,200,000</u>
Net change in fund balance			509,935	(509,935)
Fund balance – beginning	<u>11,353,496</u>	<u>11,353,496</u>	<u>11,353,496</u>	
Fund balance – ending	<u><u>11,353,496</u></u>	<u><u>11,353,496</u></u>	<u><u>11,863,431</u></u>	<u><u>(509,935)</u></u>

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Net Position**  
**Proprietary Funds**  
December 31, 2020

	<b>Business-type Activities</b>		
	<b>Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Electric Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$529,177	\$1,393,001	\$5,663,419
Investments	17,900,000	1,700,000	3,128,113
Accounts receivable	46,631		4,424,559
Assessments receivable	24,085		
Due from other funds	748,103	100,000	29,223
Inventories at cost			643,891
Other assets			984,755
Total current assets	19,247,996	3,193,001	14,873,960
Noncurrent assets:			
Capital assets – net	21,746,319	11,311,216	44,553,327
Land held for future use			
Total noncurrent assets	21,746,319	11,311,216	44,553,327
Total assets	40,994,315	14,504,217	59,427,287
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	32,933	5,580	180,405
Other post-employment benefits related	9,263		6,667
Total deferred outflows of resources	42,196	5,580	187,072
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	56,633	194	4,502,796
Retainage payable	11,897	21,193	
Accrued wages	18,825	3,016	49,957
Accrued interest payable	14,877	27,863	
Due to other funds			850,286
Unearned revenue			280,821
Accrued compensated absences	40,000		
Notes and bonds payable – net	550,000	410,000	
Total current liabilities	692,232	462,266	5,683,860
Noncurrent liabilities:			
Notes and bonds payable – net	2,279,928	2,942,592	
Net pension liability	473,159	80,170	2,140,753
Accrued compensated absences	72,379	3,200	
Accrued OPEB liability	41,096		97,565
Total noncurrent liabilities	2,866,562	3,025,962	2,238,318
Total liabilities	3,558,794	3,488,228	7,922,178
<b>DEFERRED INLFOWS OF RESOURCES</b>			
Pension related	29,045	4,921	110,451
Other post-employment benefits related	37,858		3,327
Gain on refunding		33,685	
Total deferred inflows of resources	66,903	38,606	113,778
<b>NET POSITION</b>			
Net investment in capital assets	18,904,494	7,971,116	44,553,327
Unrestricted	18,506,320	3,011,847	7,025,076
Total net position	\$37,410,814	\$10,982,963	\$51,578,403

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
**Net Position of Business-type Activities**

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

<b>- Enterprise Funds</b>			<b>Governmental Activities</b>
<b>Water Fund</b>	<b>Gas Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
\$1,958,725	\$4,009,214	\$13,553,536	\$385,496
3,427,164	9,549,896	35,705,173	1,280,000
473,550	1,998,389	6,943,129	3,528
		24,085	
46,022	155,018	877,326	
40,200	96,522	844,931	869,473
<u>5,945,661</u>	<u>15,809,039</u>	<u>59,069,657</u>	<u>2,538,497</u>
19,656,511	13,774,740	111,042,113	3,833,945
	660,266	660,266	
<u>19,656,511</u>	<u>14,435,006</u>	<u>111,702,379</u>	<u>3,833,945</u>
<u>25,602,172</u>	<u>30,244,045</u>	<u>170,772,036</u>	<u>6,372,442</u>
78,169	107,730	404,817	
3,259	4,889	24,078	
<u>81,428</u>	<u>112,619</u>	<u>428,895</u>	
697,635	1,784,373	7,041,631	54,629
		33,090	
20,052	28,688	120,538	
		42,740	
838		851,124	
108,404	158,165	547,390	
		40,000	
		960,000	
<u>826,929</u>	<u>1,971,226</u>	<u>9,636,513</u>	<u>54,629</u>
927,587	1,278,366	5,222,520	
		4,900,035	
47,698	71,548	75,579	
<u>975,285</u>	<u>1,349,914</u>	<u>257,907</u>	
<u>1,802,214</u>	<u>3,321,140</u>	<u>10,456,041</u>	
		<u>20,092,554</u>	<u>54,629</u>
47,858	65,957	258,232	
1,626	2,440	45,251	
		33,685	
<u>49,484</u>	<u>68,397</u>	<u>337,168</u>	
19,438,151	13,754,922	104,622,010	3,833,945
4,393,751	13,212,205	46,149,199	2,483,868
<u>\$23,831,902</u>	<u>\$26,967,127</u>	150,771,209	<u>\$6,317,813</u>
		(184,241)	
		<u>\$150,586,968</u>	

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
For the year ended December 31, 2020

	<b>Business-type Activities</b>		
	<b>Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Electric Fund</b>
OPERATING REVENUES:			
Charges for service	\$3,893,234	\$1,208,514	\$40,916,882
Miscellaneous	819		
Total operating revenues	3,894,053	1,208,514	40,916,882
OPERATING EXPENSES:			
Operation and maintenance	1,445,170	328,388	33,969,897
Depreciation	984,468	312,655	1,834,716
Utility service contributed to city			1,052,220
Capitalized internal costs			
Administrative costs	259,908		2,274,409
Total operating expenses	2,689,546	641,043	39,131,242
Operating income (loss)	1,204,507	567,471	1,785,640
Non-operating revenues (expenses)			
Property taxes		312,070	
Sale of capital assets	3,920		7,097
Income (loss) on investments	274,970	43,132	92,812
Compensation for loss of capital assets			
Interest expense and fiscal charges	(45,142)	(44,509)	
Total non-operating revenues (expenses)	233,748	310,693	99,909
Income (loss) before contributions & transfers	1,438,255	878,164	1,885,549
Capital contributions		21,404	
Transfer out	(545,435)	(82,265)	
Total contributions & transfers	(545,435)	(60,861)	
Change in net position	892,820	817,303	1,885,549
Total net position – beginning	36,517,994	10,165,660	49,692,854
Total net position – ending	\$37,410,814	\$10,982,963	\$51,578,403
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
<b>Change in Net Position of Business-type Activities</b>			

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

<b>- Enterprise Funds</b>			<b>Governmental Activities</b>
<b>Water Fund</b>	<b>Gas Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
\$4,465,627	\$12,316,516	\$62,800,773	\$3,679,036
<u>4,465,627</u>	<u>12,316,516</u>	<u>62,801,592</u>	<u>3,679,036</u>
1,638,533	9,175,761	46,557,749	2,556,055
482,113	545,890	4,159,842	748,030
147,180	179,634	1,379,034	
<u>1,098,826</u>	<u>1,897,933</u>	<u>5,531,076</u>	
<u>3,366,652</u>	<u>11,799,218</u>	<u>57,627,701</u>	<u>3,304,085</u>
<u>1,098,975</u>	<u>517,298</u>	<u>5,173,891</u>	<u>374,951</u>
		312,070	
		11,017	(12,138)
97,698	190,002	698,614	
		<u>(89,651)</u>	
<u>97,698</u>	<u>190,002</u>	<u>932,050</u>	<u>(12,138)</u>
1,196,673	707,300	6,105,941	362,813
		21,404	363,029
		<u>(627,700)</u>	
		<u>(606,296)</u>	<u>363,029</u>
1,196,673	707,300	5,499,645	725,842
<u>22,635,229</u>	<u>26,259,827</u>		<u>5,591,971</u>
<u>\$23,831,902</u>	<u>\$26,967,127</u>		<u>\$6,317,813</u>
		1,809	
		<u>\$5,501,454</u>	

**CITY OF OWATONNA, MINNESOTA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the year ended December 31, 2020

	<b>Business-type Activities</b>		
	<b>Sewer Fund</b>	<b>Storm Water Fund</b>	<b>Electric Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$3,849,877	\$1,208,514	\$39,478,498
Cash payments to suppliers for goods and services	(975,866)	(251,164)	(33,490,859)
Cash payments to employees for services	(780,864)	(115,498)	(3,844,006)
Other cash receipts			1,183,316
Net cash provided by (used for) operating activities	<u>2,093,147</u>	<u>841,852</u>	<u>3,326,949</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer to other funds	<u>(545,435)</u>	<u>(82,265)</u>	
Net cash provided by (used for) noncapital financing activities	<u>(545,435)</u>	<u>(82,265)</u>	
<b>CASH FLOWS FROM CAPITAL AND REL. FIN. ACTIVITIES</b>			
Acquisition of capital assets	(71,578)	(443,084)	(4,065,516)
Disposition of capital assets	3,920		
Taxes levied for debt service		312,070	
Principal paid on revenue bonds/notes payable	(543,000)	(395,000)	
Interest expense and fiscal charges	<u>(47,997)</u>	<u>(89,512)</u>	
Net cash used for capital and rel. fin. activities	<u>(658,655)</u>	<u>(615,526)</u>	<u>(4,065,516)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(700,000)		(497,000)
Proceeds from sale of investment securities		450,000	2,724,467
Interest on investments	<u>274,970</u>	<u>43,132</u>	<u>170,336</u>
Net cash provided by (used for) investing activities	<u>(425,030)</u>	<u>493,132</u>	<u>2,397,803</u>
Net increase (decrease) in cash and cash equivalents	464,027	637,193	1,659,236
Cash and cash equivalents – beginning of the year	<u>65,150</u>	<u>755,808</u>	<u>4,004,183</u>
Cash and Cash Equivalents – end of the year	<u>\$529,177</u>	<u>\$1,393,001</u>	<u>\$5,663,419</u>
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income(loss)	\$1,204,507	\$567,471	\$1,785,640
Adjustments			
Depreciation	984,468	312,655	1,834,716
Net changes in assets and deferred outflows and liabilities and deferred inflows:			
Accounts receivable	(18,485)		(73,779)
Assessments receivable	5,943		
Inventories at cost			(10,963)
Other current assets	(31,634)		(5,477)
Deferred outflows	11,879	828	(26,946)
Accounts payable and accrued expenses	24,510	(42,950)	51,058
Unearned revenue			(125,243)
Net pension liability	(2,195)	12,524	182,972
OPEB and compensated absences	(7,514)	881	3,980
Deferred inflows	<u>(78,332)</u>	<u>(9,557)</u>	<u>(289,009)</u>
Net cash provided by (used for) operating activities	<u>\$2,093,147</u>	<u>\$841,852</u>	<u>\$3,326,949</u>
Noncash investing, capital, and financing activities:			
Amortization of gain on refunding		\$(10,637)	
Amortization of bond premium		(30,416)	
Capital Contribution		21,404	
Retainage/Assets purchased on account with contracts payable		18,044	

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

<b>- Enterprise Funds</b>			<b>Governmental Activities</b>
<b>Water Fund</b>	<b>Gas Fund</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
\$3,978,024	\$12,289,988	\$60,804,901	\$3,678,170
(1,673,902)	(9,192,094)	(45,583,885)	(2,499,936)
(1,556,856)	(2,091,899)	(8,389,123)	
519,484	623,557	2,326,357	
<u>1,266,750</u>	<u>1,629,552</u>	<u>9,158,250</u>	<u>1,178,234</u>
		(627,700)	
		(627,700)	
(2,918,123)	(2,457,513)	(9,955,814)	(1,338,850)
		3,920	76,274
		312,070	
		(938,000)	
		(137,509)	
<u>(2,918,123)</u>	<u>(2,457,513)</u>	<u>(10,715,333)</u>	<u>(1,262,576)</u>
(435,000)	(4,056,124)	(5,688,124)	
2,086,629	3,450,241	8,711,337	
82,551	219,913	790,902	
<u>1,734,180</u>	<u>(385,970)</u>	<u>3,814,115</u>	
82,807	(1,213,931)	1,629,332	(84,342)
<u>1,875,918</u>	<u>5,223,145</u>	<u>11,924,204</u>	<u>469,838</u>
<u>\$1,958,725</u>	<u>\$4,009,214</u>	<u>\$13,553,536</u>	<u>\$385,496</u>
\$1,098,975	\$517,298	\$5,173,891	\$374,951
482,113	545,890	4,159,842	748,030
29,058	361,036	297,830	(866)
(545)	(27,328)	5,943	
(6,979)	141,496	(38,836)	
(11,771)	(16,324)	97,406	87,611
(296,646)	53,011	(42,334)	
16,593	114,987	(211,017)	(31,492)
79,281	109,263	6,337	
1,945	2,919	381,845	
(125,274)	(172,696)	2,211	
		(674,868)	
<u>\$1,266,750</u>	<u>\$1,629,552</u>	<u>\$9,158,250</u>	<u>\$1,178,234</u>
		(10,637)	
		(30,416)	
		21,404	
		18,044	

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**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's policies are described below.

**A. Reporting Entity**

The City of Owatonna (the City) operates under a Home Rule Charter form of government allowed by Minnesota statutes. The City is governed by an elected Mayor and seven-member Council. The Council exercises legislative authority and determines all matter of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

**Individual Component Unit Disclosures**

*Discretely Presented Component Units* – The Owatonna Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) serve all the citizens of the City and are governed by City appointed boards.

The HRA was created by the City to carry out certain redevelopment projects. The five-member board is appointed by the Council. The Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. Debt issued for HRA activities are City general obligations. The HRA consists of two separate operations: general operations and housing programs. Separately issued financial statements as of December 31 are available upon request from the Executive Director of the HRA at 540 West Hills Circle, Owatonna, MN.

The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of three Council members and four other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA has a December 31 year end. Separate financial statements are not issued.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

**B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

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

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

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

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

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

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

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

Unearned or unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue in the fund financial statements.

The City reports the following major governmental funds:

*General fund*

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

*Debt service fund*

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects fund*

This fund accounts for the financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

The City reports the following major proprietary funds:

*Sewer fund*

This accounts for the operating, maintenance, and capital improvement of the City's sewer utility.

*Storm water fund*

This accounts for the operating, maintenance, and capital improvement of the City's storm water utility.

*Electric fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned electric utility in the City.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

*Water fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned water utility in the City.

*Gas fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned gas utility in the City.

Additionally, the City reports the following fund types:

Internal service funds account for services and/or commodities provided to other departments of the City on a cost reimbursement basis. The City has two internal service funds. One fund accounts for payroll and risk management activities for workers compensation insurance, the activities of the group health plan, and property and liability insurance. The other fund accounts for the cost of purchasing vehicles.

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

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Public Utilities function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's enterprise funds and internal service funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

**1. Deposits and Investments**

Cash balances from all funds are pooled and invested to the extent available in investments authorized by Minnesota State Statute and as further authorized by the Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

The City's investment policy states funds are to be invested to the maximum extent possible at the highest rates obtainable after considering safety, liquidity, yield and risk factors.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost. Broker money market funds operate in accordance with appropriate state laws and regulations.

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

## **2. Property Tax Receivables**

The City levies its property tax for the subsequent year in December. This levy is certified to Steele County as they are the collection agency for taxes within the County. Taxes are recognized as receivables in the current year when the City is notified by the County of the amounts. They become a lien against the property on the date of levy. Taxes are due and payable at the County on May 15 and October 15, and collections are remitted to the City in July and December. Adjustments are made to delinquent taxes based on the records of the County Auditor.

Delinquent taxes represent unpaid taxes for the past nine years. Delinquent taxes have been offset by an unavailable revenue for delinquent taxes not received within 60 days after year end in the fund financial statements.

## **3. Special Assessments**

Special assessments are certified to Steele County for collection annually. Noncertified assessments represent assessments to be certified annually in the future. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by an unavailable revenue in fund financial statements.

## **4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## **5. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements. These costs are recognized during the period benefitted by the repayment using the consumption method.

## **6. Restricted Assets**

Restricted assets consist of cash and temporary investments restricted for specific purposes by agreements.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

**7. Land Held for Resale**

The City has acquired property as part of its redevelopment activities within the Housing and Redevelopment Authority and the Economic Development Authority. Additionally, the Gas utility holds land which is available for resale.

**8. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. The City reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). The cost of infrastructure acquired prior to implementation of GASB 34 is included at estimated historical costs based on the current replacement cost of a similar asset and deflated through the use of price-level indexes.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Improvements Other than Buildings	15-50 years
Equipment and vehicles	3-20 years
Infrastructure	20-50 years

Capital assets not being depreciated consist of land and construction in progress.

Electric and Gas Utility Plant is recorded at original cost. Water Utility Plant is recorded at cost less funds provided from municipal special assessments. When units of property are sold, retired or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation is computed using the straight-line method which expenses the cost of the plant over its estimated useful life. The utilities depreciate on a composite basis.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

**9. Credit Risk**

As of December 31, 2020 the enterprise funds had no significant concentration of credit risk with respect to consumer accounts receivable due to the large number of customers and their dispersion across many different residential and industrial customers.

**10. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; property taxes, special assessments, and a long-term receivable. These amounts are recognized as an inflow of resources in the period that the amounts become available. The City reports a deferred inflow for a gain on a bond refunding which will be amortized of the life of the bonds. Pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. Other postemployment benefits (OPEB) deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years.

**11. Pension**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from 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.

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Owatonna Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Owatonna Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**12. Other Post-employment Benefits**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the City's retiree benefits plan (the Plan) and additions to/deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes payments when due and payable in accordance with the benefit terms.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

**13. Deferred Outflows of Resources**

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position or fund balance, that relates to future periods. The City will not recognize the related outflow until a future event occurs. Pension related deferred outflows and OPEB related deferred outflows are recorded in the current year, but the expenses will be recorded in subsequent years.

**14. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and paid time off (PTO). Vacation and PTO are paid upon separation. Sick leave is only payable at 50% and only upon retirement. The General Fund is used to liquidate governmental compensated absences payable.

All vacation, PTO and the portion of sick pay allowable at retirement is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends. There is an assigned fund balance for the entire amount of these compensated absences in the general fund.

**15. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

**16. Fund Balance/Net Position**

The City of Owatonna reports the following categories of fund balance:

- Nondisposable Fund Balance – These are amounts that cannot be spent because they are not in spendable form (i.e. inventories, prepaids and advances to other funds)
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, laws, or regulations, or other governments
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator as permitted by policy.

**CITY OF OWATONNA, MINNESOTA**  
**Notes to the Basic Financial Statements**  
**December 31, 2020**

- Unassigned Fund Balance – these are residual amounts in the General Fund, not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

The City’s fund balance policy provides that the City maintain a minimum general fund balance of 50% of budgeted operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City’s policy to use restricted first and then unrestricted. The order of use for unrestricted fund balance shall be committed, assigned, and then unassigned.

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of all other items that do not meet the definitions of “restricted” or “net investment in capital assets”.

**17. Use of Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$26,238,758) difference are as follows:

Bonds, notes, and leases payable	\$(14,215,924)
Net Pension liability	(9,189,155)
Accrued OPEB liability	(643,850)
Accrued compensated absences	(2,027,560)
Accrued interest payable	<u>(162,269)</u>
 Total difference	 <u><u>\$(26,238,758)</u></u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

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One element of that reconciliation explains that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(215,087) difference are as follows:

Delinquent taxes rec. unavailable revenue:	
At December 31, 2019	\$(78,733)
At December 31, 2020	165,504
Special assessments/development receivable unavailable revenue:	
At December 31, 2019	(3,298,085)
At December 31, 2020	<u>2,996,227</u>
	<u><u>\$(215,087)</u></u>

Another element of that reconciliation states that “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.” The details of this \$(35,821) difference are as follows:

Amortization of bond premium	\$117,708
Change in accrued interest	18,046
Change in accrued compensated absences	<u>(171,575)</u>
	<u><u>\$(35,821)</u></u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the City. Only the General Fund’s budget is considered an “annually legally adopted budget”. The remaining funds’ budgets are used as a management tool. The debt service funds are budgeted according to the terms of the original bond issues. Project-length financial plans are adopted for all capital projects funds. Any modification in the adopted budget can be made upon request of and approval by the City Council. Appropriations in all funds lapse at the end of the year.

In July of each year, all departments of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared for the General Fund by department and cost center and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review prior to September 15. The City Council holds public hearings. A final budget is adopted by December 28 of each year.

**B. Deficit Fund Balance**

At year-end 2020, there were four funds that carried deficit fund balances. Four funds were tax increment financing funds that were funded by the City through interfund loans. These deficit fund balances will be reduced and eliminated over time as increment from the levies are used to retire the various loans.

The following funds carried deficit fund balances at the end of 2020 in the amounts indicated:

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TIF 3-6 Viracon Economic Development Fund	\$36,746
TIF 3-8 Daikin Applied Economic Development Fund	68,316
TIF 3-14 Bosch Economic Development Fund	323,988
TIF 14-1 Eastgate Redevelopment Fund	482,489

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Earnings from such investments are allocated to the respective funds on the basis of applicable balance participation by each fund. The primary government and component units' cash and investments are pooled.

*Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it in full. In accordance with Minnesota Statutes and as authorized by the City Council, the City of Owatonna maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. Authorized collateral includes U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118A.03. 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.

The City's deposits in banks at December 31, 2020 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

*Investments*

The City may also invest idle funds as authorized investments by Minnesota Statutes as follows:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Repurchase or reverse repurchase agreements and securities lending agreements 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.
- h. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, and with a credit quality in one of the top two rating highest categories.

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The City's investments as of December 31, 2020 are as follows:

Type of Investment	Credit Quality Rating	Amount	Investment Maturity in Years			
			< 1 Year	1-5 Years	6-10 Years	> 10 years
US Govt Agencies	AAA	\$15,349,627	\$999,860	\$14,349,767		
US Govt Agencies	N/R	7,511,481	7,499,925			\$11,556
Local Govt Obligations	AAA	5,286,920	985,248	3,641,618	\$660,054	
Local Govt Obligations	AA2	7,305,298	1,527,145	5,778,153		
Local Govt Obligations	AA3	1,071,924		1,071,924		
Local Govt Obligations	AA+	991,200	991,200			
Pooled Investments	N/A	4,803			981	3,822
MN Municipal MM	N/A	6,855,328	6,855,328			
Wells Fargo Adv MM	N/A	512,049	512,049			
Bremer Bank MM	N/A	1,047,986	1,047,986			
Profinium	N/A	175,836	175,836			
Negotiable CDs	N/A	22,574,641	21,548,724	1,025,917		
		<u>\$68,687,093</u>	<u>\$42,143,301</u>	<u>\$25,867,379</u>	<u>\$661,035</u>	<u>\$15,378</u>

Reconciliation of deposits and investments to Statement of Net Position:

	Primary Government	EDA	HRA	Total Reporting Entity
Cash on hand	\$3,635			\$3,635
Deposits	10,638,431	\$584,497	\$243,435	11,466,363
Investments	67,187,093	1,500,000		68,687,093
Total deposits and investments	<u>\$77,829,159</u>	<u>\$2,084,497</u>	<u>\$243,435</u>	<u>\$80,157,091</u>
<u>Per Statement of Net Position:</u>				
Cash and cash equivalents	\$18,950,776	\$584,497	\$218,000	\$19,753,273
Investments	58,878,383	1,500,000		60,378,383
Restricted cash & cash equivalents			25,435	25,435
Total cash and investments	<u>\$77,829,159</u>	<u>\$2,084,497</u>	<u>\$243,435</u>	<u>\$80,157,091</u>

*Interest rate risk.* The City's investment policy requires minimizing interest rate risk by structuring the investment portion so securities mature to meet cash requirements for ongoing operations. Within these parameters, it is the City's practice to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses related to rising interest rates.

*Credit risk.* The City's investment policy limits the level of investments allowed in each category of credit risk. Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. U.S. Treasury Obligations are not considered to have credit risk. U.S. Government Agencies which are rated all carry a AAA credit rating. The U.S. Government Agencies which are unrated are comprised of "stripped" securities for which the underlying agency notes are all AAA rated. The underlying agency's rating is considered to pass through to the "stripped" bond. The Local Government Obligations carry a AA2 credit rating.

*Concentration risk.* The City does not have a formal policy limiting the amount of the portfolio that may be invested in any one depository or issuer. The following investments represent at least 5% of the City's investment portfolio: FFCB, FHLMC, US Treasury bill, and Minnesota Municipal Money Market.

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*Fair Value Measurements.* The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets of the City measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Govt Agencies		\$22,861,108		\$22,861,108
Local Govt Obligations		14,655,342		14,655,342
Negotiable CDs		22,574,641		22,574,641
US Govt Agency pools		4,803		4,803
Total		<u>\$60,095,894</u>		<u>\$60,095,894</u>

Assets of the City measured at amortized cost:

4M Fund Liquid Asset Fund	\$2,561,921
4M Fund PLUS Fund	4,293,407
Wells Fargo Advisors Money Market Fund	512,049
Bremer Bank Money Market Fund	1,047,986
Profinium Money Market Fund	175,836
Total	<u>\$8,591,199</u>

The 4M Fund is a brokered money market account that is valued at amortized cost with maturities of investments of one year or less. Funds in the 4M Fund PLUS fund require thirty day deposit period before funds can be withdrawn.

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**B. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major accounts receivable balances for the governmental activities include franchise fees and miscellaneous charges. Business-type activities report utility earnings as their major accounts receivable.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the three components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (general fund) of \$165,504; special assessments receivable not yet available (debt service fund and capital projects fund) of \$2,942,700; and a development receivable not yet available (capital projects fund) of \$53,527.

**C. Loans Receivable**

The Capital Projects Fund has made a loan to a local business. The balance of this loan at December 31, 2020 was \$53,527 and is offset by an unavailable revenue. This loan matures in eleven years.

**Discretely Presented Component Unit**

The EDA Loan Fund has made loans to local businesses with various terms and interest rates for repayment. The balance of these loans at December 31, 2020 was \$131,464 which consists of loans maturing in one to seven years with interest ranging from 0 to 5.25 percent. These notes are secured by property, equipment and personal guarantees.

The EDA Loan Fund has made thirteen loans to local businesses with certain conditions attached which would then make the loans forgivable. These loans are not considered receivable and are not included in the loans receivable balance at December 31, 2020. The balance of these forgivable loans was \$292,493 at December 31, 2020.

The EDA Land Fund has entered into various development agreements with local businesses to finance the sale of property to the developer. The balance of these loans at December 31, 2020 was \$1,328,985 which consists of loans maturing in 22 to 23 years all with interest rates of 3 percent.

The HRA issues notes as their contribution to SCDP housing rehab program. These notes consist of \$1,000 per housing unit. They are deferred for a period of 7 years. The notes will be forgiven as long as the owner continues to rent to low income residents and maintains ownership for the 7 years. If the owner sells before the 7 years the note will need to be repaid in full. These notes are not considered receivable and are not included in the Statement of Net Position. The balance of these notes at December 31, 2020 is \$9,000.

The HRA works with local community housing agencies to provide emergency fix-up deferred loans for home improvements that resolve code emergency deficiencies, energy efficiency, or improve accessibility. The maximum amount of each loan is \$5,000. They are deferred until the property is sold or transferred. The balance of these notes at December 31, 2020 is \$6,170.

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**D. Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$8,793,067	\$37,800		\$8,830,867
Construction in Progress	1,926,099	2,953,816	\$3,851,431	1,028,484
Total Non-depreciable	<u>10,719,166</u>	<u>2,991,616</u>	<u>3,851,431</u>	<u>9,859,351</u>
Depreciable capital assets:				
Buildings	23,027,959	2,662,101		25,690,060
Improvements Other than Bldgs	1,192,621	58,884		1,251,505
Equipment	15,510,096	1,531,149	660,708	16,380,537
Infrastructure	122,007,812	1,178,718		123,186,530
Total depreciable	<u>161,738,488</u>	<u>5,430,852</u>	<u>660,708</u>	<u>166,508,632</u>
Accumulated Depreciation				
Buildings	12,061,414	663,118		12,724,532
Improvements Other than Bldgs	437,690	74,461		512,151
Equipment	9,742,175	1,143,865	572,296	10,313,744
Infrastructure	55,556,345	3,055,333		58,611,678
Total accumulated depreciation	<u>77,797,624</u>	<u>4,936,777</u>	<u>572,286</u>	<u>82,162,105</u>
Govtl activities capital assets, net	<u>\$94,660,030</u>	<u>\$3,485,691</u>	<u>\$3,939,843</u>	<u>\$94,205,878</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$307,617
Public safety	246,719
Public works	3,185,251
Culture and recreation	449,160
Internal service funds	748,030
Total depreciation for governmental activities	<u>\$4,936,777</u>

Capital asset activity for business-type activities for the year ended December 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and other rights	\$3,145,332	\$784,295		\$3,929,627
Construction in Progress	7,090,682	3,315,089	\$4,316,014	6,089,757
Total Non-depreciable	<u>10,236,014</u>	<u>4,099,384</u>	<u>4,316,014</u>	<u>10,019,384</u>
Depreciable capital assets:				
Buildings	47,535,942	46,110	14,850	47,567,202
Equipment	18,045,326	249,975	856,478	17,438,823
Infrastructure	103,913,289	9,915,075	697,544	113,130,820
Total depreciable	<u>169,494,557</u>	<u>10,211,160</u>	<u>1,568,872</u>	<u>178,136,845</u>
Accumulated Depreciation				
Buildings	16,013,011	948,737	14,850	16,946,898
Equipment	13,773,659	468,454	846,249	13,395,864
Infrastructure	44,726,245	2,742,651	697,542	46,771,354
Total accumulated depreciation	<u>74,512,915</u>	<u>4,159,842</u>	<u>1,558,641</u>	<u>77,114,116</u>
Business-type activities capital assets, net	<u>\$105,217,656</u>	<u>\$10,150,702</u>	<u>\$4,326,245</u>	<u>\$111,042,113</u>

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Depreciation expense for business-type activities is charged to functions as follows:

Sewer	\$984,468
Storm water	312,655
Electric	1,834,716
Water	482,113
Gas	545,890
Total depreciation for business-type activities	\$4,159,842

**Discretely Presented Component Units**

Capital asset activity for the component units was as follows:

**Economic Development Authority**

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$252,156		\$5,305	\$246,851

**Housing and Redevelopment Authority**

	Beginning Balances	Increases	Decreases	Ending Balances
Buildings	\$52,000			\$52,000
Accumulated Depreciation	16,863	\$1,065		17,928
Capital assets, net	\$35,137	\$1,065		\$34,072

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

Housing & economic development	\$1,065
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**E. Interfund Balances and Transfers**

The composition of interfund balances as of December 31, 2020 is as follows:

***Due to/from other funds***

Several funds have made short-term loans to other funds through normal day-to-day operations. Items such as utility infrastructure associated with street projects, sewer billing and collections performed by another utility fund, and centralized fuel purchases are examples of why these occur. These loans are planned to be eliminated in the subsequent year.

	General Fund	Capital Projects Fund	Sewer Fund	Storm Water Fund	Electric Fund	Total
Due from:						
General Fund					\$2,586	\$2,586
Debt Service Fund					15,530	15,530
Nonmajor Govtl Funds					11,107	11,107
Electric Fund	\$2,183		\$748,103	\$100,000		850,286
Water Fund		\$838				838
Total Due to:	\$2,183	\$838	\$748,103	\$100,000	\$29,223	\$880,347

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**Advance to/from other funds**

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, or cash flow purposes. Long-term interfund loans are classified as “advances to/from other funds”.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from:			
Capital Projects Fund	\$121,136		\$121,136
Nonmajor Govtl Funds		\$876,319	876,319
Total Due to:	<u>\$121,136</u>	<u>\$876,319</u>	<u>\$997,455</u>

**Due to/from primary government and component units**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Govt – ISF	Component Unit – EDA	<u>\$1,848</u>
Total		<u><u>\$1,848</u></u>

**Interfund transfers**

	<u>General Fund</u>	<u>Nonmajor Govtl Funds</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Transfers In:					
General Fund			\$545,435	\$82,265	\$627,700
Debt Service Fund		\$150,920			150,920
Capital Projects Fund	<u>\$1,200,000</u>				<u>1,200,000</u>
Total Transfers Out	<u>\$1,200,000</u>	<u>\$150,920</u>	<u>\$545,435</u>	<u>\$82,265</u>	<u>\$1,978,620</u>

Throughout the course of the year, the City has to make occasional interfund transfers. The City annually transfers funds from its enterprise operations to its general fund to compensate for the cost of administration. The City annually transfers tax increment from a nonmajor Governmental Fund to its debt service fund for upcoming debt service payments.

**Capital Contributions**

Occasionally, the acquisitions of capital assets for business-type activities are funded by governmental activities. These capital contributions totaled \$21,404 in 2020.

**G. Long-term Debt**

**General Obligation Bonds**

General obligation bonds are issued to provide for the acquisition of major capital equipment. These bonds are direct obligations and are backed by the full faith and credit of the City. Five general obligation bonds with an original issue amount of \$7,240,000 are currently outstanding as follows:

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G.O. Equipment Certificates Series 2015A	2021	3.00%	\$100,000
G.O. Equipment Certificates Series 2016A	2021-2022	3.00%	100,000
G.O. Equipment Certificates Series 2017A	2021-2025	3.00%	105,000
G.O. Street Reconstruction Series 2018A	2021-2029	3.00-5.00%	4,425,000
G.O. Street Reconstruction Series 2020A	2022-2031	2.00-4.00%	1,545,000
			<u>\$6,275,000</u>

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

Year	Governmental Activities	
	Principal	Interest
2021	\$585,000	\$242,981
2022	635,000	211,750
2023	610,000	182,900
2024	635,000	153,600
2025	660,000	123,125
2026-2030	2,975,000	222,400
2031	175,000	1,750
	<u>\$6,275,000</u>	<u>\$1,138,506</u>

**General Obligation Improvement Bonds**

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. Seven bond issues with a total original issue amount of \$11,495,000 are currently outstanding as follows:

G.O. Improvement Series 2011A	2021-2022	2.00-2.200%	\$145,000
G.O. Improvement Series 2013A	2021-2024	2.00-2.750%	1,085,000
G.O. Improvement Series 2014A	2021	2.000%	180,000
G.O. Improvement Series 2015A	2021-2026	2.50-3.000%	790,000
G.O. Improvement Series 2016A	2021-2027	2.00-3.000%	760,000
G.O. Improvement Series 2017A	2021-2028	2.00-3.000%	1,510,000
G.O. Improvement Series 2019A	2021-2030	4.00-5.000%	1,860,000
			<u>\$6,330,000</u>

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

Year	Governmental Activities	
	Principal	Interest
2021	\$1,035,000	\$193,196
2022	925,000	164,026
2023	870,000	134,949
2024	895,000	105,619
2025	625,000	79,868
2026-2030	1,980,000	142,234
	<u>\$6,330,000</u>	<u>\$819,892</u>

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**G.O. Tax Increment Bonds**

The City issued bonds for an economic development project. The tax increments resulting from increased tax capacity of the development property will be used to retire the related debt. These bonds had an original issue amount of \$1,140,000. These bonds are backed by the full faith and credit of the City.

The general obligation tax increment bonds currently outstanding are as follows:

Governmental Activities			
Tax Increment Bonds Series 2013A	2021-2024	2.25-2.75%	\$535,000

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

Year	Governmental Activities	
	Principal	Interest
2021	\$130,000	\$12,274
2022	130,000	9,187
2023	135,000	5,707
2024	140,000	1,925
Total	\$535,000	\$29,093

**G.O. Revenue Bonds**

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service in addition to levying a tax. These bonds are recorded in the fund according to the purpose for which they were issued. The Storm Water Fund is currently carrying bonds payable for storm water improvements. These bonds had an original issue amount of \$4,360,000. The Series 2016A refunding bonds have a \$100,000 annual pledge of revenue. The second Series 2016A have a revenue pledge equal to 50% of the required debt service payment. These bonds are all backed by the full faith and credit of the City.

The City's outstanding notes from direct borrowings related to business-type activities in the sewer fund of \$2,829,928 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 105 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of \$2,829,928 contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. These bonds had an original issue amount of \$7,929,333 and are fully payable from the revenues of the sewer fund.

The general obligation revenue bonds currently outstanding are as follows:

Business-type Activities			
Direct borrowing - MPFA Revenue Bonds			
Series 2011	2021-2025	1.423%	\$2,829,928
Revenue Bonds Series 2016A	2021-2032	2.00-3.00%	2,100,000
Revenue Bonds Series 2016A – Refunding	2021-2024	3.00%	1,095,000
			\$6,024,928

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

Years	Business-type Activities				Totals
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	
2021	\$410,000	\$77,438	\$550,000	\$40,270	\$1,077,708
2022	430,000	64,838	558,000	32,444	1,085,282
2023	435,000	51,863	566,000	24,503	1,077,366
2024	450,000	38,588	574,000	16,449	1,079,037
2025	170,000	14,643	581,928	8,281	774,852
2026-2030	910,000	99,430			1,009,430
2031-2032	390,000	12,087			402,087
<b>Total</b>	<b>\$3,195,000</b>	<b>\$358,887</b>	<b>\$2,829,928</b>	<b>\$121,947</b>	<b>\$6,505,762</b>

**Change in Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. Bonds	\$5,465,000	\$1,545,000	\$735,000	\$6,275,000	\$585,000
G.O. Tax Increment Bonds	660,000		125,000	535,000	130,000
G.O. Improvement Bonds	7,095,000		765,000	6,330,000	1,035,000
Less: bond discount	(3,095)		(1,496)	(1,599)	
Plus: bond premium	969,603	227,124	119,204	1,077,523	
Total bonds payable	<u>14,186,508</u>	<u>1,772,124</u>	<u>1,742,708</u>	<u>14,215,924</u>	<u>1,620,000</u>
Capital Leases Payable	23,607		23,607		
Accrued Compensated Absences	1,855,985	1,065,771	894,196	2,027,560	980,000
Governmental Activity					
Long-term liabilities	<u>\$16,066,100</u>	<u>\$2,837,895</u>	<u>\$2,660,511</u>	<u>\$16,243,484</u>	<u>\$2,730,000</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable					
G.O. Revenue Bonds	\$3,590,000		\$395,000	\$3,195,000	\$410,000
Notes from direct borrowings and direct placements	3,372,928		543,000	2,829,928	550,000
Plus: bond premium	188,008		30,416	157,592	
Total notes & bonds payable	<u>7,150,936</u>		<u>968,416</u>	<u>6,182,520</u>	<u>960,000</u>
Accrued Compensated Absences	125,989	\$75,370	85,780	115,579	40,000
Business-type Activity					
Long-term liabilities	<u>\$7,276,925</u>	<u>\$75,370</u>	<u>\$1,054,196</u>	<u>\$6,298,099</u>	<u>\$1,000,000</u>

For the governmental activities, accrued compensated absences, net pension liability and OPEB are generally liquidated by the general fund.

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**Conduit Debt Obligations**

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2020, there were eight outstanding bond issues with an original issue amount of \$39,680,545 and a balance of \$33,298,570.

**H. Tax Abatements**

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development, housing, and redevelopment within the City as authorized under Minnesota Statute 469.174. The City reaches agreements with the business related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. The increment taxes are based on the increase of the property's value after the improvements are made. The school district and the county have also abated their portion of the tax increment following the improvements. The agreements call for 90-99% of the property tax increments collected to be paid to reimburse development costs less administrative fees. The City currently has twenty four tax increment financing districts which includes ten economic development districts which end between December 31, 2022-December 31, 2030; two housing and redevelopment districts which end between December 31, 2023-December 31, 2042; and twelve redevelopment districts which end between December 31, 2031-December 31, 2047. For the year ended December 31, 2020, the City paid tax increment in the amount of \$1,113,041. No other commitments were made by the City as part of these agreements.

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for its risk management activities in an internal service fund. Revenue to this fund is derived from premium charges to user departments, employees, and other funds of the City. These charges are then available to pay claims, administrative costs and insurance premiums.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, and has currently placed coverage with them for its general liability and personal property claims. Coverage is provided up to a maximum of \$1,000,000. This coverage has a \$100,000 annual deductible. The City levies funds annually to cover all claims against this deductible.

The City participates in the LMCIT for its workers compensation insurance which is administered by Berkley Administrators. This is a retrospectively rated policy with the premium being based primarily on the City's loss experience.

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The LMCIT operates as a common risk management and insurance program for member cities. The LMCIT agreement provides that the LMCIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$1.2 million per occurrence for general liability and \$850,000 for workers compensation medical and hospitalization.

**B. Commitments and Contingent Liabilities**

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

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

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$501,182 at December 31, 2020.

Power Sales Contract - Owatonna Public Utilities (electric, water and gas funds) is a member of the Southern Minnesota Municipal Power Agency (SMMPA). Under the terms of the power sales contract, Owatonna Public Utilities and the other members are committed to purchase 100% of their power requirements from SMMPA through the contract life. After which, Owatonna Public Utilities, and the other member cities, may elect to purchase their future power and energy requirements, from sources other than SMMPA. The contract expires April 2050 and the rates paid are subject to periodic review.

Capacity Purchase Agreement – On September 1, 1991, the Electric Utility entered into a Capacity Purchase Agreement with SMMPA. Under this agreement, the Utility has agreed to dedicate a gas fired electric generating facility owned by the Electric Utility for SMMPA's exclusive use. On December 27, 2017, the Electric Utility entered into a second amended and restated capacity purchase agreement with SMMPA. This agreement now states that SMMPA will manage the daily operations. Owatonna Public Utilities is now compensated based on the capacity of the unit, which involves lump-sum payments throughout the year. The contract remains in effect until the date five years after written notice of termination by either party or until retirement of the facility. On March 26, 2019, SMMPA notified Owatonna Public Utilities that they were going to make repairs to the unit. With that, Owatonna Public Utilities is foregoing the capacity payment from SMMPA until they have recovered the investment that was made to the unit. This is expected to be done after seven years.

Gas Service Agreement – Under its gas service agreement, the Gas Utility is committed to purchase its natural gas demand requirements from Northern Natural Gas Company until October 2022. The rates paid are in accordance with the Federal Energy Regulatory Commission.

Gas Purchase Commitment – The Gas Utility has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Gas Utility enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Gas Utility is committed to purchase 3,094,000 cubic feet of natural gas through December 2025 for a total commitment of \$9,568,314 at December 31, 2020.

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**C. Lease Commitments**

The Utilities entered into an operating lease for various copier equipment. Lease expense for the year ended December 31, 2020 was \$3,931.

Minimum lease commitments in effect at December 31, 2020 are as follows:

Year ending December 31	Business-type Activities
2021	\$3,376
2022	3,376
2023	3,376
2024	3,376
2025	2,814
	\$16,318

**D. Tax Increment Districts**

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

**E. Deferred Compensation Plan**

The City of Owatonna offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**F. Other Postemployment Benefits**

The primary government includes amounts for the City and Owatonna Public Utilities (Electric Fund, Water Fund and Gas Fund); however the City and Owatonna Public Utilities had separate actuary reports for which the amounts were taken from.

**1. The City**

**a. Plan Description**

The City of Owatonna administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. There are 135 active participants, 43 actives waiving coverage, 10 retired participants and zero inactive employees entitled to but not yet receiving benefits. The healthcare plan does not issue a publicly available financial report.

**b. Funding Policy**

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For plan year 2020, the City contributed \$51,214 to the plan.

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**c. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Health Care Trend Rates	Gradually decreasing over several decades to 4% in 2075 and later

For general employees, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments. For police and fire, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

The discount rate used to measure the total OPEB liability was 2.75%. The discount rate is based on the estimated yield of 20-year AA rated municipal bonds.

**d. Changes in Total OPEB Liability**

Balances at January 1, 2020	\$622,000
Changes for the Year:	
Service Cost	83,991
Interest	25,242
Change in Assumptions	4,927
Difference between expected and actual experience	
Benefit Payments	<u>(51,214)</u>
Net change in Total OPEB Liability	<u>62,946</u>
Balances at December 31, 2020	<u>\$684,946</u>

**e. Total OPEB Liability Sensitivity**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	<u>\$722,608</u>	<u>684,946</u>	<u>\$646,924</u>

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease In trend rate	Current Trend rate	1% Increase In trend rate
Total OPEB Liability	<u>\$602,562</u>	<u>\$684,946</u>	<u>\$784,012</u>

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For the year ended December 31, 2020, the City recognized OPEB expense of \$29,334.

At December 31, 2020, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience		\$630,958
Assumption Changes	\$90,306	
City Contributions Made Subsequent to Measurement Date	64,085	
<b>Total</b>	<b>\$154,391</b>	<b>\$630,958</b>

\$64,085 reported as deferred outflow of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$(79,899)
2022	(79,899)
2023	(79,899)
2024	(79,899)
2025	(79,899)
Thereafter	(141,157)

**2. Owatonna Public Utilities (Electric Fund, Water Fund and Gas Fund)**

**a. Plan Description**

Owatonna Public Utilities operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the Utilities health insurance plan. There are 54 active participants, 1 retired participant, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the Utilities and various unions representing the Utilities' employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**b. Funding Policy**

The Utilities has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the Utilities and union representatives. The eligibility for, amount of, duration of, and Utilities' contribution to the cost of the benefits provided varies by contract and date of retirement. The Utilities is funding this liability on a pay-as-you-go basis. For the plan year 2020, Owatonna Public Utilities contributed \$11,011 to the plan.

**c. Total OPEB Liability**

Owatonna Public Utility's total OPEB liability was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.5%
Salary Increases	3.0%
Health Care Trend Rates	6.5% decreasing to 5% over 5 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.

The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is based on the estimated yield of 20-year AA rated municipal bonds.

Since the most recent valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.3% to 3.8%.

**d. Changes in Total OPEB Liability**

Balances at January 1, 2020	\$207,967
Changes for the Year:	
Service Cost	11,714
Interest	8,141
Change in Assumptions	
Difference between expected and actual experience	
Benefit Payments	(11,011)
Net change in Total OPEB Liability	<u>8,844</u>
Balances at December 31, 2020	<u>\$216,811</u>

**e. Total OPEB Liability Sensitivity**

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

	1% Decrease <u>(2.80%)</u>	Discount Rate <u>(3.80%)</u>	1% Increase <u>(4.80%)</u>
Total OPEB Liability	<u>\$228,953</u>	<u>\$216,811</u>	<u>\$205,086</u>

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease <u>In trend rate</u>	Current <u>Trend rate</u>	1% Increase <u>In trend rate</u>
Total OPEB Liability	<u>\$198,573</u>	<u>\$216,811</u>	<u>\$237,580</u>

For the year ended December 31, 2020, Owatonna Public Utilities recognized OPEB expense of \$18,006.

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At December 31, 2020, Owatonna Public Utility's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience Assumption Changes		\$6,205 1,188
Utility Contributions Made Subsequent to Measurement Date	\$14,815	
<b>Total</b>	<b>\$14,815</b>	<b>\$7,393</b>

\$14,815 reported as deferred outflow of resources related to OPEB resulting from the Utility's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2021	\$(1,849)
2022	(1,849)
2023	(1,849)
2024	(1,846)

**3. Combined OPEB Liability**

	OPEB Liability	Deferred Inflow	Deferred Outflow	OPEB Expense
City	\$684,946	\$630,958	\$154,391	\$29,334
Owatonna Public Utilities	216,811	7,393	14,815	18,006
<b>Total</b>	<b>901,757</b>	<b>638,351</b>	<b>169,206</b>	<b>47,340</b>

**G. Employee Retirement Systems**

Substantially all City employees are members of retirement plans. The following disclosures are made in accordance with requirements of the Governmental Accounting Standards Board:

Public Employees Retirement Association

**Cost-sharing Multiple Employer Defined Benefit Pension Plan**

1. 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.

**CITY OF OWATONNA, MINNESOTA**  
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A. General Employees Retirement Plan

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

B. Public Employees Police and Fire Fund

The Police and Fire Plan (P&FP), 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 P&FP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

2. 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.

A. GEP Benefits

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

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

B. P&FP Benefits

Benefits for the P&FP members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for P&FP members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For P&FP 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.

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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. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Contributions

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

A. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GEP for the year ended December 31, 2020, were \$901,503. The City's contributions were equal to the required contributions as set by state statute.

B. Police and Fire Fund Contributions

Plan member's contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the P&FP for the year ended December 31, 2020, were \$635,498. The City's contributions were equal to the required contributions as set by state statute.

3. Pension Costs

A. General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$10,000,422 for its proportionate share of the General Employee 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 \$308,478. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion 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 .1668% at the end of the measurement period and .1666% for the beginning of the period.

City's proportionate share of the net pension liability	\$10,000,422
State of Minnesota's proportionate share of the net pension liability associated with the City	308,478
Total	\$10,308,900

For the year ended December 31, 2020, the City recognized pension expense of \$368,233 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$26,847 as pension expense for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

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Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience Assumption Changes	\$91,179	\$37,837
Net Difference between Projected and Actual Earnings on Pension Plan Investments	172,764	\$370,754
Change in Proportion	31,729	162,720
City Contributions Made Subsequent to Measurement Date	464,142	
<b>Total</b>	<b>\$759,814</b>	<b>\$571,311</b>

The \$464,142 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$(665,515)
2022	(45,054)
2023	193,317
2024	241,613

**B. Police and Fire Fund Pension Costs**

At December 31, 2020, the City reported a liability of \$4,088,768 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 proportion 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 proportion share was 0.3102% at the end of the measurement period and .3301% 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 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% funded, whichever occurs later.

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 \$447,960 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$27,918 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.

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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 \$29,634 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	\$4,088,768
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>96,322</u>
Total	<u><u>\$4,185,090</u></u>

At December 31, 2020, the City's proportionate share of P&FP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$180,665	\$194,172
Change of Assumptions	1,370,231	2,550,020
Net Difference between Projected and Actual Earnings on Pension Plan Investments	124,195	
Change in Proportion	192,159	359,567
City Contributions Made Subsequent to Measurement Date	<u>339,885</u>	
Total	<u><u>\$2,207,134</u></u>	<u><u>\$3,103,759</u></u>

\$339,885 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$(302,865)
2022	(1,161,657)
2023	128,475
2024	153,540
2025	(54,003)

The City's total pension expense for all plans for the year ended December 31, 2020, was \$991,393.

4. Actuarial Assumptions

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

	<b>GEP</b>	<b>P&amp;FP</b>
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

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Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police & Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan, and 1.0 percent for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the 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 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 study for the Police and Fire Plan was completed in 2020. The recommended assumptions for this plan 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**

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employes 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 two years older for females to one year older.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0/0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**Police and Fire Fund**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Bonds (Fixed Income)	20%	.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
<b>Total</b>	<b>100%</b>	

5. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was 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.

6. 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:

	<u>General Employees Fund</u>		<u>Police &amp; Fire Fund</u>	
1% Lower	6.5%	\$16,027,209	6.5%	\$8,149,503
Current Discount Rate	7.5%	10,000,422	7.5%	4,088,768
1% Higher	8.5%	5,028,808	8.5%	729,221

7. 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](http://www.mnpera.org).

**Defined Contribution Plan**

Seven council members of the City of Owatonna are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The DCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Owatonna during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$3,210	\$3,210	5.0%	5.0%	5.0%

Owatonna Firefighter's Relief Association

**Single Employer Defined Benefit Pension Plan**

1. Plan Description

Firefighters of the City of Owatonna are members of the Owatonna Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2018, membership includes 33 active participants and 6 terminated employees entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

2. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$7,150 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law. The lump sum amount was increased to \$7,500 in 2020.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$7,150 for each year the member was an active member of the Owatonna Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

*Minnesota Statutes* Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

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3. Contributions

*Minnesota Statutes* Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	Total Contribution Required	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$172,284 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2019 was \$0.

4. Pension Costs

At December 31, 2020, the City reported an asset of \$1,688,256 for the Association's net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$118,719 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$10,238	\$72,582
Changes of Actuarial Assumptions	45,635	5,717
Net Difference between Projected and Actual Earnings on Pension Plan Investments		180,919
Total	\$55,873	\$259,218

Amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

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Year Ended December 31,	Amount
2021	\$(58,009)
2022	(60,122)
2023	3,269
2024	(88,497)
2025	(5,610)
Thereafter	5,624

5. Actuarial Assumptions

The actuarial total pension asset was determined as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/18
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line Closed
Actuarial Assumptions:	
Discount Rate	6.25%
Investment Rate of Return	6.25%
20-Year Municipal Bond Yield	2.75%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.5%). All results are then rounded to the nearest quarter percentage point.

The best-estimate of expected future real rates of return were published in the 2018 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Allocation at December 31, 2018	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	51.00%	4.95%	7.45%
International Equity	15.00%	5.24%	7.74%
Fixed Income	13.00%	1.99%	4.49%
Real Estate	0.00%	4.19%	6.69%
Cash Equivalents	21.00%	.58%	3.08%
Total	100.00%		6.56%
Reduced for assumed investment expense			(0.20%)
Net assumed investment return (rounded to ¼%)			6.25%

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6. Discount Rate

The discount rate used to measure the total pension liability was 6.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

7. Pension Liability Sensitivity

The following presents the City of Owatonna's net pension asset of the Association, calculated using the discount rate of 6.25%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Asset	\$1,638,523	\$1,688,256	\$1,734,802
Discount Rate	5.25%	6.25%	7.25%

8. Plan's Fiduciary Net Position

Information about the Plan's fiduciary net position is as follows:

	2019
<b>Assets</b>	
Cash and Investments	\$3,464,840
<b>Total Assets</b>	\$3,464,840
<b>Net Position</b>	
Unrestricted	\$3,464,840
<b>Revenues</b>	
Fire State Aid	\$172,284
Interest	596,639
Total Revenues	768,923
<b>Expenses</b>	
Benefit Payments	775,201
Administrative	6,577
Total Expenses	781,778
Change in Net Position	(13,855)
Beginning Net Position	3,478,695
Ending Net Position	\$3,464,840

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Information about the changes in the Plan's net pension asset is as follows:

	Measurement Date December 31, 2019
<b><u>Total Pension Liability</u></b>	
Service Cost	\$74,059
Interest	120,472
Difference between expected and actual experience	
Changes of assumptions	
Changes of benefit terms	116,163
Benefit payments, including member contribution refunds	(775,201)
<b>Net Change in Total Pension Liability</b>	<b>(464,507)</b>
Total Pension Liability – Beginning	2,241,091
Total Pension Liability – Ending (a)	<b>\$1,776,584</b>
<b><u>Plan Fiduciary Net Position</u></b>	
State Contributions	\$172,284
Net Investment Income	596,639
Benefit Payments	(775,201)
Administrative Expenses	(6,577)
<b>Net Change in Fiduciary Net Position</b>	<b>(13,855)</b>
<b>Fiduciary Net Position – Beginning</b>	<b>3,478,695</b>
<b>Fiduciary Net Position – Ending (b)</b>	<b>\$3,464,840</b>
<b>Association's Net Pension Liability/(Asset) – Ending (a) – (b)</b>	<b>\$(1,688,256)</b>

**Summary**

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	General Employees Plan	Police & Fire Plan	Fire Relief Association	Total
Net Pension Asset			\$1,688,256	\$1,688,256
Net Pension Liability	\$10,000,422	\$4,088,768		14,089,190
Deferred Outflows of Resources				
Related to Pensions	759,814	2,207,134	55,873	3,022,821
Deferred Inflows of Resources				
Related to Pensions	571,311	3,103,759	259,218	3,934,288
Pension Expense	395,080	475,878	118,719	989,677

**CITY OF OWATONNA, MINNESOTA**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**

Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017
<b>Total OPEB Liability</b>			
Service Cost	\$95,705	\$95,606	\$85,987
Interest	33,383	46,649	53,819
Change in Assumptions	4,927	55,594	62,955
Difference between expected and actual experience		(656,694)	(193,904)
Benefit Payments	(62,225)	(50,998)	(48,107)
<b>Net Change in Total OPEB Liability</b>	71,790	(509,843)	(39,250)
Total OPEB Liability – Beginning	829,967	1,339,810	1,379,060
<b>Total OPEB Liability - Ending</b>	<b>\$901,757</b>	<b>\$829,967</b>	<b>\$1,339,810</b>
Covered-Employee Payroll	\$14,407,532	\$13,779,741	\$13,295,097
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	6%	6%	10%

Note: Information is presented prospectively and an accumulation of ten years will be provided. No assets are accumulated in a trust that meets the criteria of GASB 75.

**CITY OF OWATONNA, MINNESOTA**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of Net Pension Liability**

**PERA General Employees Retirement Fund (GEP)**

Measurement Date	6/30/20	6/30/19	6/30/18	6/30/17
Proportion of the Net Pension Liability	0.1668%	0.1666%	0.1691%	0.1732%
Proportionate Share of the Net Pension Liability	\$10,000,422	\$9,210,941	\$9,380,975	\$11,056,974
State's Proportionate Share of the Net Pension Liability Associated with the City	308,478	286,155	307,610	139,012
Total State and City's proportionate share of the Net Pension Liability	\$10,308,900	\$9,497,096	\$9,688,585	\$11,195,986
Covered Payroll	\$11,895,887	\$11,823,289	\$11,372,604	\$11,313,906
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	86.66%	80.33%	82.49%	98.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	79.53%	75.90%

**PERA Public Employees Police & Fire Fund (P&FP)**

Measurement Date	6/30/20	6/30/19	6/30/18	6/30/17
Proportion of the Net Pension Liability	0.3102%	0.3301%	0.3187%	0.327%
Proportionate Share of the Net Pension Liability	\$4,088,768	\$3,514,248	\$3,397,014	\$4,414,889
State's Proportionate Share of the Net Pension Liability Associated with the City	96,322			
Total State and City's Proportionate Share of the Net Pension Liability	\$4,185,090	\$3,514,248	\$3,397,014	\$4,414,889
Covered Payroll	\$3,504,057	\$3,482,445	\$3,358,796	\$3,361,271
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	116.69%	100.91%	101.14%	131.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.26%	88.84%	85.40%

Note: Information is presented prospectively and an accumulation of ten years will be provided.

6/30/16	6/30/15
0.1682%	0.1672%
\$13,657,005	\$8,665,171
<u>178,369</u>	<u></u>
<u>\$13,835,374</u>	<u>\$8,665,171</u>
\$10,443,843	\$9,826,867
130.77%	88.18%
68.91	78.20%

6/30/16	6/30/15
0.319%	0.311%
\$12,802,025	\$3,533,688
<u>\$12,802,025</u>	<u>\$3,533,688</u>
<u>\$3,070,825</u>	<u>\$2,853,462</u>
416.89%	123.84%
63.88%	86.60%

**CITY OF OWATONNA, MINNESOTA**  
**Required Supplementary Information**  
**Schedule of City Contributions**

<b>PERA General Employees Retirement Fund (GEP)</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Contractually Required Contribution	\$901,503	\$899,306	\$863,494	\$836,385
Contributions in Relation to the Contractually Required Contribution	<u>(901,503)</u>	<u>(899,306)</u>	<u>(863,494)</u>	<u>(836,385)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's Covered Payroll	\$12,016,880	\$11,912,770	\$11,513,238	\$11,151,750
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%

<b>PERA Public Employees Police &amp; Fire Fund (P&amp;FP)</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Contractually Required Contribution	\$635,498	\$602,462	\$545,388	\$544,997
Contributions in Relation to the Contractually Required Contribution	<u>(635,498)</u>	<u>(602,462)</u>	<u>(545,388)</u>	<u>(544,997)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City's Covered Payroll	\$3,590,385	\$3,554,348	\$3,366,594	\$3,364,225
Contributions as a Percentage of Covered Payroll	17.70%	16.95%	16.2%	16.2%

<b>Owatonna Firefighters Relief Association</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Statutorily Required Contribution	\$-	\$-	\$-	\$-
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Association's Covered Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Information is presented prospectively and an accumulation of ten years will be provided.

<b>2016</b>	<b>2015</b>	<b>2014</b>
<u>\$804,270</u>	<u>\$778,475</u>	<u>\$695,645</u>
<u>(804,270)</u>	<u>(778,475)</u>	<u>(695,645)</u>
<u>0</u>	<u>0</u>	<u>0</u>
\$10,726,757	\$10,379,740	\$9,595,508
7.50%	7.50%	7.25%

<b>2016</b>	<b>2015</b>	<b>2014</b>
<u>\$500,744</u>	<u>\$508,708</u>	<u>\$432,074</u>
<u>(500,744)</u>	<u>(508,708)</u>	<u>(432,074)</u>
<u>0</u>	<u>0</u>	<u>0</u>
\$3,091,017	\$3,140,174	\$2,824,017
16.2%	16.2%	15.3%

<b>2016</b>	<b>2015</b>	<b>2014</b>
<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
N/A	N/A	N/A
N/A	N/A	N/A

**CITY OF OWATONNA, MINNESOTA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association**

Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Total Pension Liability				
Service Cost	\$74,059	\$64,491	\$61,804	\$66,200
Interest	120,472	143,064	137,411	140,109
Differences between expected and actual experience		12,562	-	(121,874)
Changes of assumptions		28,310	(8,549)	20,753
Changes of benefit terms	116,163	105,546	62,880	107,406
Benefit Payments, Including member refunds	<u>(775,201)</u>	<u>(335,717)</u>	<u>(165,835)</u>	<u>(25,640)</u>
Net Change in Total Pension Liability	(464,507)	18,256	87,711	186,954
Total Pension Liability – Beginning	<u>2,241,091</u>	<u>2,222,835</u>	<u>2,135,124</u>	<u>1,948,170</u>
Total Pension Liability – Ending (a)	\$1,776,584	\$2,241,091	\$2,222,835	\$2,135,124
Plan Fiduciary Net Position				
State Contributions	\$172,284	\$168,599	\$164,842	\$164,223
Net Investment Income	595,639	(208,750)	528,546	200,390
Benefit Payments	(775,201)	(335,717)	(165,835)	(25,640)
Administrative Expenses	<u>(6,577)</u>	<u>(6,549)</u>	<u>(6,340)</u>	<u>(6,311)</u>
Net Change in Fiduciary Net Position	(13,855)	(382,417)	521,213	332,662
Fiduciary Net Position – Beginning	<u>3,478,695</u>	<u>3,861,112</u>	<u>3,339,899</u>	<u>3,007,237</u>
Fiduciary Net Position – Ending (b)	3,464,840	3,478,695	3,861,112	\$3,339,899
Association’s Net Pension Liability/(Asset) – Ending (a) – (b)	<u>\$(1,688,256)</u>	<u>\$(1,237,604)</u>	<u>\$(1,638,277)</u>	<u>\$(1,204,775)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	195.03%	155.22%	173.70%	156.43%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Information is presented prospectively and an accumulation of ten years will be provided.

<u>December 31, 2015</u>	<u>December 31, 2014</u>
\$53,176	\$51,753
130,326	135,178
-	-
19,092	-
61,077	-
<u>-</u>	<u>(506,107)</u>
263,671	(319,176)
<u>1,684,499</u>	<u>2,003,675</u>
\$1,948,170	\$1,684,499
\$169,227	\$154,878
9,916	260,890
-	(506,107)
<u>(6,291)</u>	<u>(6,218)</u>
172,852	(96,557)
<u>2,834,385</u>	<u>2,930,942</u>
\$3,007,237	\$2,834,385
<u><u>\$(1,059,067)</u></u>	<u><u>\$(1,149,886)</u></u>
165.70%	168.26%
N/A	N/A
N/A	N/A

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## **COMBINING STATEMENTS**

## **Nonmajor Governmental Funds**

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### **Special Revenue Funds**

***Library Reserve and Memorial Fund*** – This fund is used to account for private donations and memorials that are specifically to be used for library activity. The Hunewill Trust principal was set to remain at \$16,500 with interest earnings being used to purchase books as specified by donor.

***MIF Fund*** – This fund was established to account for grants received for flood recovery.

**Capital Projects Funds** – see fund definitions on page 101

**CITY OF OWATONNA, MINNESOTA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
December 31, 2020

	<b>Library Reserve &amp; Memorial Fund</b>	<b>Special Revenue MIF Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$391,908	\$21
Investments		
Total assets	\$391,908	\$21
 <b>LIABILITIES</b>		
Accounts payable	\$9,549	
Retainage payable		
Due to other funds		
Advance from other funds		
Total liabilities	9,549	
 <b>FUND BALANCES</b>		
Restricted for:		
Hunewill	16,500	
Memorials	365,859	
Grant projects		\$21
Capital projects		
Economic development		
Unassigned		
Total fund balances	382,359	21
Total liabilities and fund balances	\$391,908	\$21

<u>Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Total</u>		
\$391,929	\$175,213 900,000	\$567,142 900,000
<u>\$391,929</u>	<u>\$1,075,213</u>	<u>\$1,467,142</u>
9,549	\$25,031 11,107 876,319	\$9,549 25,031 11,107 876,319
<u>9,549</u>	<u>912,457</u>	<u>922,006</u>
16,500 365,859 21	1,067,901 6,394 (911,539)	16,500 365,859 21 1,067,901 6,394 (911,539)
<u>382,380</u>	<u>162,756</u>	<u>545,136</u>
<u>\$391,929</u>	<u>\$1,075,213</u>	<u>\$1,467,142</u>

**CITY OF OWATONNA, MINNESOTA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the year ended December 31, 2020

	<b>Library Reserve &amp; Memorial Fund</b>	<b>Special Revenue MIF Fund</b>
REVENUES		
Taxes		
Interest on investments	\$5,674	
Miscellaneous	170,389	
Total revenues	176,063	
EXPENDITURES		
Current:		
Housing & economic development		
Miscellaneous	46,904	
Capital outlay		
Total expenditures	46,904	
Excess of revenues over (under) expenditures	129,159	
OTHER FINANCING SOURCES (USES)		
Transfers out		
Total other financing sources (uses)		
Net change in fund balances	129,159	
Fund balances – beginning	253,200	\$21
Fund balances – ending	\$382,359	\$21

<u>Funds</u>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<u>Total</u>		
	\$1,113,041	\$1,113,041
\$5,674	16,916	22,590
170,389		170,389
<u>176,063</u>	<u>1,129,957</u>	<u>1,306,020</u>
	1,744,066	1,744,066
46,904		46,904
<u>46,904</u>	<u>1,744,066</u>	<u>1,790,970</u>
129,159	(614,109)	(484,950)
	<u>(150,920)</u>	<u>(150,920)</u>
	<u>(150,920)</u>	<u>(150,920)</u>
129,159	(765,029)	(635,870)
<u>253,221</u>	<u>927,785</u>	<u>1,181,006</u>
<u>\$382,380</u>	<u>\$162,756</u>	<u>\$545,136</u>

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## **Nonmajor Capital Projects Funds**

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A Capital Projects Fund is established to account for financial resources to be used for the acquisition or construction of major capital assets.

**Sales Tax Capital Projects Fund** – was established to account for the capital projects being funded by the special local option sales tax and excise tax.

**TIF 1-1 Metro Plains Cedar Run Housing Fund** – was established to account for tax increment financing activities relative to project costs associated with the development of rental apartment complexes for low and moderate income persons.

**TIF 1-6 Northgate Redevelopment Fund** - was established to account for tax increment financing activities relative to property acquisition, building rehabilitation, and site improvements to assist with redevelopment within the district.

**TIF 3-2 Cybex, Inc. Economic Development Fund** – was established to account for tax increment financing activities relative to property acquisition, infrastructure, and private site improvements to assist with construction of a production/warehouse facility.

**TIF 3-5 Sputtering Components Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-6 Viracon Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-7 Kerry Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-8 Daikin Applied Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-9 Cybex Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-10 ProPet Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 3-11 Cemstone Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 4-1 Hospital Redevelopment Fund** – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old hospital site.

**TIF 5-1 Tailwind Redevelopment Fund** – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old Hardees/Budgetmart site.

**TIF 7-1 Gateway #2 Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 8-1 South Pointe #1 Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 9-1 Arrow Ace Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 10-1 E Pearl Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 11-1 Toreys Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 12-1 Metropolitan Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**TIF 3-14 Bosch Economic Development Fund** – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**TIF 14-1 Eastgate Redevelopment Fund** – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**CITY OF OWATONNA, MINNESOTA**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
December 31, 2020

	<b>Sales Tax Capital Projects Fund</b>	<b>TIF 1-1 Metro Plains Cedar Run Fund</b>	<b>TIF 1-6 Northgate Fund</b>	<b>TIF 3-2 Cybex Inc. Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$167,901		\$1,347	\$4,999
Investments	900,000			
Accounts receivable				
Total assets	<u>\$1,067,901</u>	<u>\$0</u>	<u>\$1,347</u>	<u>\$4,999</u>
<b>LIABILITIES</b>				
Accounts payable				
Retainage payable				
Due to other funds				
Advance from other funds				
Total liabilities				
<b>FUND BALANCES</b>				
Restricted for:				
Capital projects	\$1,067,901			
Economic development			\$1,347	\$4,999
Unassigned				
Total fund balances	<u>1,067,901</u>	<u></u>	<u>1,347</u>	<u>4,999</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,067,901</u>	<u>\$0</u>	<u>\$1,347</u>	<u>\$4,999</u>

	<b>TIF 4-1 Hospital Redevelop Fund</b>	<b>TIF 5-1 Tailwind Fund</b>	<b>TIF 7-1 Gateway #2 Fund</b>	<b>TIF 8-1 South Pointe #1 Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$40			
Investments				
Accounts receivable				
Total assets	<u>\$40</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>LIABILITIES</b>				
Accounts payable				
Retainage payable				
Due to other funds				
Advance from other funds				
Total liabilities				
<b>FUND BALANCES</b>				
Restricted for:				
Capital projects				
Economic development	\$40			
Unassigned				
Total fund balances	<u>40</u>	<u></u>	<u></u>	<u></u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$40</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 3-5 Sputtering Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund	TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund
	\$852		\$66			
<u>\$0</u>	<u>\$852</u>	<u>\$0</u>	<u>\$66</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	\$11,107 26,491 37,598		\$68,382 68,382			
	(36,746) (36,746)		(68,316) (68,316)			
<u>\$0</u>	<u>\$852</u>	<u>\$0</u>	<u>\$66</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 11-1 Toreys Fund	TIF 12-1 Metropolitan Fund	TIF 3-14 Bosch Fund	TIF 14-1 Eastgate Fund	Total Nonmajor Capital Projects Funds
	\$8					\$175,213 900,000
<u>\$0</u>	<u>\$8</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,075,213</u>
				\$25,031 298,957 323,988	\$482,489 482,489	\$25,031 11,107 876,319 912,457
	\$8 8			(323,988) (323,988)	(482,489) (482,489)	1,067,901 6,394 (911,539) 162,756
<u>\$0</u>	<u>\$8</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,075,213</u>

**CITY OF OWATONNA, MINNESOTA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**

For the year ended December 31, 2020

	<b>Sales Tax Capital Projects Fund</b>	<b>TIF 1-1 Metro Plains Cedar Run Fund</b>	<b>TIF 1-6 Northgate Fund</b>	<b>TIF 3-2 Cybex, Inc Fund</b>
<b>REVENUES</b>				
Taxes		\$13,368		
Interest on investments	\$16,786		\$22	
Miscellaneous				
Total revenues	<u>16,786</u>	<u>13,368</u>	<u>22</u>	
<b>EXPENDITURES</b>				
Current				
Housing & economic development		13,368		
Capital outlay				
Total expenditures		<u>13,368</u>		
Excess of revenues over (under) expenditures	16,786		22	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	16,786		22	
Fund balances- beginning	<u>1,051,115</u>		<u>1,325</u>	<u>\$4,999</u>
Fund balances – ending	<u>\$1,067,901</u>	<u>\$0</u>	<u>\$1,347</u>	<u>\$4,999</u>

	<b>TIF 4-1 Hospital Redevelop Fund</b>	<b>TIF 5-1 Tailwind Fund</b>	<b>TIF 7-1 Gateway #2 Fund</b>	<b>TIF 8-1 South Pointe #1 Fund</b>
<b>REVENUES</b>				
Taxes	\$61,890	\$2,843	\$23,225	\$48,475
Interest on investments				
Miscellaneous				
Total revenues	<u>61,890</u>	<u>2,843</u>	<u>23,225</u>	<u>48,475</u>
<b>EXPENDITURES</b>				
Current				
Housing & economic development	61,890	2,843	23,225	48,475
Capital outlay				
Total expenditures	<u>61,890</u>	<u>2,843</u>	<u>23,225</u>	<u>48,475</u>
Excess of revenues over (under) expenditures				,
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances				,
Fund balances- beginning	<u>40</u>			
Fund balances – ending	<u>\$40</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<b>TIF 3-5 Sputtering Fund</b>	<b>TIF 3-6 Viracon Fund</b>	<b>TIF 3-7 Kerry Fund</b>	<b>TIF 3-8 Daikin Fund</b>	<b>TIF 3-9 Cybex Fund</b>	<b>TIF 3-10 ProPet Fund</b>	<b>TIF 3-11 Cemstone Fund</b>
\$26,122	\$409,744 107	\$36,205	\$184,946 1	\$206,043	\$47,236	\$195
<u>26,122</u>	<u>409,851</u>	<u>36,205</u>	<u>184,947</u>	<u>206,043</u>	<u>47,236</u>	<u>195</u>
26,122	247,252	36,205	169,765	206,043	47,236	195
<u>26,122</u>	<u>247,252</u>	<u>36,205</u>	<u>169,765</u>	<u>206,043</u>	<u>47,236</u>	<u>195</u>
	162,599		15,182			
	(150,920)					
	<u>(150,920)</u>					
	11,679		15,182			
	(48,425)		(83,498)			
<u>\$0</u>	<u>\$(36,746)</u>	<u>\$0</u>	<u>\$(68,316)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<b>TIF 9-1 Arrow Ace Fund</b>	<b>TIF 10-1 E Pearl Fund</b>	<b>TIF 11-1 Toreys Fund</b>	<b>TIF 12-1 Metropolitan Fund</b>	<b>TIF 3-14 Bosch Fund</b>	<b>TIF 14-1 Eastgate Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
\$21,157	\$8	\$17,946	\$13,638			\$1,113,041 16,916
<u>21,157</u>	<u>8</u>	<u>17,946</u>	<u>13,638</u>			<u>1,129,957</u>
23,386		17,946	13,638	\$323,988	\$482,489	1,744,066
<u>23,386</u>		<u>17,946</u>	<u>13,638</u>	<u>323,988</u>	<u>482,489</u>	<u>1,744,066</u>
(2,229)	8			(323,988)	(482,489)	(614,109)
						(150,920)
(2,229)	8			(323,988)	(482,489)	(765,029)
<u>2,229</u>						<u>927,785</u>
<u>\$0</u>	<u>\$8</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(323,899)</u>	<u>\$(482,489)</u>	<u>162,756</u>

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## **Discretely Presented Component Unit**

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The Economic Development Authority (EDA) consists of three funds which are all accounted for as governmental funds.

### ***EDA Administration Fund***

This fund accounts for the administrative activities related to economic and industrial development and redevelopment within the City.

### ***EDA Loan Fund***

This fund accounts for the activities related to loans for the purpose of economic and industrial development and redevelopment within the City.

### ***EDA Land Fund***

This fund accounts for the activities related to the acquisition and sale of land related to economic and industrial development and redevelopment within the City.

**CITY OF OWATONNA, MINNESOTA**  
**Combining Balance Sheet**  
**Component Unit – Economic Development Authority**  
December 31, 2020

	<u>EDA Administration Fund</u>	<u>EDA Loan Fund</u>	<u>EDA Land Fund</u>	<u>Total EDA Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$59,050	\$36,859	\$488,588	\$584,497
Investments		900,000	600,000	1,500,000
Interest receivable		150		150
Accounts receivable	25,937			25,937
Loans receivable		131,464	1,328,985	1,460,449
Land held for resale			2,374,842	2,374,842
Total assets	<u>\$84,987</u>	<u>\$1,068,473</u>	<u>\$4,792,415</u>	<u>\$5,945,875</u>
<b>LIABILITIES</b>				
Accounts payable	\$40,623		\$49,243	\$89,866
Total liabilities	<u>40,623</u>		<u>49,243</u>	<u>89,866</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue			353,700	353,700
Total deferred inflows of resources			<u>353,700</u>	<u>353,700</u>
<b>FUND BALANCES</b>				
Restricted for:				
Economic development		\$1,068,473	4,389,472	5,475,945
Unrestricted	44,364			44,364
Total fund balances	<u>44,364</u>	<u>1,068,473</u>	<u>4,389,472</u>	<u>5,502,309</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$84,987</u>	<u>\$1,068,473</u>	<u>\$4,792,415</u>	<u>\$5,945,875</u>

Fund balances – component unit \$5,502,309

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 246,851

Donated land held for resale is not expected to be sold soon enough to provide available resources and therefore, is a deferred inflow in the funds 121,500

Other long-term assets are not available to pay for current expenditures, and therefore, are a deferred inflow in the funds 232,200

Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. (1,848)

Net position – component unit \$6,101,012

**CITY OF OWATONNA, MINNESOTA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Component Unit – Economic Development Authority**  
For the year ended December 31, 2020

	<u>EDA Administration Fund</u>	<u>EDA Loan Fund</u>	<u>EDA Land Fund</u>	<u>Total EDA Funds</u>
<b>REVENUES</b>				
Taxes	\$325,776			\$325,776
Interest on investments	33	\$14,806	\$14,000	28,839
Interest on loans		1,356	30,403	31,759
Miscellaneous	578,234	150	295,110	873,494
Total revenues	<u>904,043</u>	<u>16,312</u>	<u>339,513</u>	<u>1,259,868</u>
<b>EXPENDITURES</b>				
Current – miscellaneous	<u>918,510</u>	<u>58,914</u>	<u>124,775</u>	<u>1,102,199</u>
Total expenditures	<u>918,510</u>	<u>58,914</u>	<u>124,775</u>	<u>1,102,199</u>
Excess of revenues over (under)				
Expenditures	(14,467)	(42,602)	214,738	157,669
Fund balance - beginning	<u>58,831</u>	<u>1,111,075</u>	<u>4,174,734</u>	<u>5,344,640</u>
Fund balance – ending	<u>\$44,364</u>	<u>\$1,068,473</u>	<u>\$4,389,472</u>	<u>\$5,502,309</u>

Net change in fund balances – component unit \$157,669

Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (12,150)

Change in Net position – component unit \$145,519

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# **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**CITY OF OWATONNA, MINNESOTA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2020

	Land	Buildings	Improv. Other than Buildings	Equipment
General Government				
Administrative Services	\$1,761,170	\$4,501,414		\$1,290,255
Government Buildings		4,194,400	\$44,649	73,137
Total General Government	<u>1,761,170</u>	<u>8,695,814</u>	<u>44,649</u>	<u>1,363,392</u>
Public Safety				
Police	80,472	963,405		371,696
Fire	248,982	2,477,432		1,558,632
Building Inspection				37,097
Total Public Safety	<u>329,454</u>	<u>3,440,837</u>		<u>1,967,425</u>
Public Works				
Engineering				11,595
Street Maintenance	405,756	1,780,708	55,367	899,254
Airport	4,399,281	2,010,914		484,021
Total Public Works	<u>4,805,037</u>	<u>3,791,622</u>	<u>55,367</u>	<u>1,394,870</u>
Culture and Recreation				
Library	244,940	2,713,603	7,253	510,679
Park & Recreation	1,492,149	1,890,288	865,801	710,449
Tennis & Fitness Center		837,643		85,996
Senior Center		439,428		50,300
Brooktree Golf Course	198,117	362,378	278,435	90,732
Aquatic Center		3,518,447		251,853
Total Culture and Recreation	<u>1,935,206</u>	<u>9,761,787</u>	<u>1,151,489</u>	<u>1,700,009</u>
Construction in Progress				
Subtotal	<u>8,830,867</u>	<u>25,690,060</u>	<u>1,251,505</u>	<u>6,425,696</u>
Internal Service Funds				<u>9,954,841</u>
Total governmental fund capital assets	<u>\$8,830,867</u>	<u>\$25,690,060</u>	<u>\$1,251,505</u>	<u>\$16,380,537</u>

<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
		\$7,552,839
		4,312,186
		<u>11,865,025</u>
		1,415,573
		4,285,046
		37,097
		<u>5,737,716</u>
		11,595
\$116,833,662		119,974,747
5,406,712		12,300,928
<u>122,240,374</u>		<u>132,287,270</u>
		3,476,475
537,257		5,495,944
		923,639
		489,728
408,899		1,338,561
		3,770,300
<u>946,156</u>		<u>15,494,647</u>
	\$1,028,484	1,028,484
123,186,530	1,028,484	166,413,142
		9,954,841
<u>\$123,186,530</u>	<u>\$1,028,484</u>	<u>\$176,367,983</u>

**CITY OF OWATONNA, MINNESOTA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the year ended December 31, 2020

	Beginning Balances	Adjustments	Additions	Deletions	Ending Balances
General Government					
Administrative Services	\$5,571,728	\$(4,930)	\$1,986,041		\$7,552,839
Government Buildings	4,330,684	(33,798)	15,300		4,312,186
Total General Government	<u>9,902,412</u>	<u>(38,728)</u>	<u>2,001,341</u>		<u>11,865,025</u>
Public Safety					
Police	1,415,573				1,415,573
Fire	4,050,420		234,626		4,285,046
Building Inspection	15,876	21,221			37,097
Total Public Safety	<u>5,481,869</u>	<u>21,221</u>	<u>234,626</u>		<u>5,737,716</u>
Public Works					
Engineering	11,595				11,595
Street Maintenance	118,482,207		1,497,947	\$5,407	119,974,747
Airport	12,291,315		9,613		12,300,928
Total Public Works	<u>130,785,117</u>		<u>1,507,560</u>	<u>5,407</u>	<u>132,287,270</u>
Culture and Recreation					
Library	3,428,216		48,259		3,476,475
Park & Recreation	4,877,376	31,630	586,938		5,495,944
Tennis & Fitness Center	882,802		40,837		923,639
Senior Center	418,691	7,328	63,709		489,728
Brooktree Golf Course	1,327,857	(21,451)	32,155		1,338,561
Aquatic Center	3,770,300				3,770,300
Total Culture & Recreation	<u>14,705,242</u>	<u>17,507</u>	<u>771,898</u>		<u>15,494,647</u>
Construction in Progress	<u>1,926,099</u>		<u>2,953,816</u>	<u>3,851,431</u>	<u>1,028,484</u>
Subtotal	162,800,739	0	7,469,241	3,856,838	166,413,142
Internal Service Funds	<u>9,656,915</u>		<u>953,227</u>	<u>655,301</u>	<u>9,954,841</u>
Total governmental fund capital assets	<u>\$172,457,654</u>	<u>\$0</u>	<u>\$8,422,468</u>	<u>\$4,512,139</u>	<u>\$176,367,983</u>

# **STATISTICAL SECTION**

## Statistical Section

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116-127
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	128-132
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	133-138
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	139-140
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	141-143

Source of data: Unless specifically noted, the information on the following tables is derived from the basic financial statements.

**CITY OF OWATONNA, MINNESOTA**  
**Net Position by Component**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities				
Net investment in capital assets	\$79,875,698	\$80,190,115	\$79,004,771	\$81,046,952
Restricted	12,889,531	11,740,372	12,129,868	10,837,315
Unrestricted	<u>8,480,035</u>	<u>7,743,706</u>	<u>6,752,131</u>	<u>6,993,466</u>
Total governmental activities	<u>\$101,245,264</u>	<u>\$99,674,193</u>	<u>\$97,886,770</u>	<u>\$98,877,733</u>
Business-type activities				
Net investment in capital assets	\$104,622,010	\$98,084,910	\$92,586,465	\$90,321,448
Restricted				
Unrestricted	<u>45,964,958</u>	<u>47,000,604</u>	<u>44,901,652</u>	<u>41,691,305</u>
Total business-type activities	<u>\$150,586,968</u>	<u>\$145,085,514</u>	<u>\$137,488,117</u>	<u>\$132,012,753</u>
Primary government				
Net investment in capital assets	\$184,497,708	\$178,275,025	\$171,591,236	\$171,368,400
Restricted	12,889,531	11,740,372	12,129,868	10,837,315
Unrestricted	<u>54,444,993</u>	<u>54,744,310</u>	<u>51,653,783</u>	<u>48,684,771</u>
Total primary government net assets	<u>\$251,832,232</u>	<u>\$244,759,707</u>	<u>\$235,374,887</u>	<u>\$230,890,486</u>

Note: In 2015 GASB 68 was implemented

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$80,110,407	\$75,953,125	\$75,256,663	\$75,121,100	\$76,286,230	\$73,223,353
10,411,098	11,942,498	12,177,716	12,189,560	13,584,152	12,010,707
7,877,023	9,427,621	15,929,892	15,409,299	11,575,794	15,319,157
<u>\$98,398,528</u>	<u>\$97,323,244</u>	<u>\$103,364,271</u>	<u>\$102,719,959</u>	<u>\$101,446,176</u>	<u>\$100,553,217</u>
\$88,935,574	\$90,824,949	\$86,780,807	\$77,397,242	\$70,537,639	\$68,259,836
		910,766	876,365	866,194	829,580
38,745,124	36,259,217	40,178,245	45,231,887	44,381,688	43,050,203
<u>\$127,680,698</u>	<u>\$127,084,166</u>	<u>\$127,869,818</u>	<u>\$123,505,494</u>	<u>\$115,785,521</u>	<u>\$112,106,619</u>
\$169,045,981	\$166,778,074	\$162,037,470	\$152,518,342	\$146,823,868	\$141,483,189
10,411,098	11,942,498	13,088,482	13,065,925	14,450,347	12,840,287
46,622,147	45,686,838	56,108,137	60,641,186	55,957,482	58,369,360
<u>\$226,079,226</u>	<u>\$224,407,410</u>	<u>\$231,234,089</u>	<u>\$226,225,453</u>	<u>\$217,231,697</u>	<u>\$212,692,836</u>

**CITY OF OWATONNA, MINNESOTA**  
**Changes in Net Position**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$396,420	\$453,359	\$348,509	\$321,021
Public safety	1,033,653	852,832	833,619	778,822
Public works	478,469	555,541	543,571	673,815
Culture and recreation	754,448	1,359,896	1,356,050	1,321,495
Other activities	39,313	18,045	21,072	19,208
Operating grants & contributions	2,519,643	1,719,641	1,493,152	1,562,720
Capital grants & contributions	1,640,688	2,853,965	1,262,057	3,749,360
Total governmental activities	<u>6,862,634</u>	<u>7,813,279</u>	<u>5,858,030</u>	<u>8,426,441</u>
Business-type activities:				
Charges for services:				
Sewer	3,894,053	3,755,393	3,675,717	3,416,993
Storm water	1,208,514	1,212,090	1,068,692	923,459
Electric	40,916,882	41,517,739	40,814,286	39,025,342
Water	4,465,627	4,142,576	4,169,129	3,948,324
Gas	12,316,516	13,946,020	14,762,244	14,019,597
Aquatic center				
Operating grants and contributions			5,000	
Capital grants and contributions		236,174	9,262	135,032
Total business-type activities	<u>62,801,592</u>	<u>64,809,992</u>	<u>64,504,330</u>	<u>61,468,747</u>
Total primary government	<u>\$69,664,226</u>	<u>\$72,623,271</u>	<u>\$70,362,360</u>	<u>\$69,895,188</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$4,318,885	\$3,461,354	\$3,205,461	\$3,243,404
Public safety	7,595,141	7,349,429	6,812,922	7,652,397
Public works	7,367,252	7,834,535	7,474,091	7,072,006
Culture and recreation	4,474,475	5,202,377	5,165,302	5,201,248
Other activities	2,077,187	1,156,663	1,111,126	791,706
Interest on long-term debt	351,113	404,670	335,781	234,573
Total governmental activities	<u>26,184,053</u>	<u>25,409,028</u>	<u>24,104,683</u>	<u>24,195,334</u>
Business-type activities:				
Sewer	2,732,848	2,868,854	2,798,229	2,847,495
Storm water	685,583	780,772	660,873	591,835
Electric	39,131,242	38,886,514	39,303,834	37,610,225
Water	3,366,652	3,244,405	3,420,096	3,250,860
Gas	11,799,218	12,898,582	13,740,097	13,730,892
Aquatic center				
Total business-type activities	<u>57,715,543</u>	<u>58,679,127</u>	<u>59,923,129</u>	<u>58,031,307</u>
Total primary government	<u>\$83,899,596</u>	<u>\$84,088,155</u>	<u>\$84,027,812</u>	<u>\$82,226,641</u>

Note: The Aquatic center was transferred from a business-type activity to a governmental activity in 2016.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$354,171	\$325,810	\$353,387	\$343,280	\$277,682	\$190,330
821,115	646,479	704,699	778,934	672,500	806,155
658,045	583,402	433,409	849,117	675,880	561,208
1,308,683	1,167,819	1,147,686	1,108,691	1,136,581	1,082,618
19,528	9,640	13,121	12,794	8,579	15,442
1,499,973	1,411,675	1,692,420	1,253,133	1,095,946	1,058,672
1,985,442	3,351,342	2,596,415	5,401,249	3,305,708	4,209,760
<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>	<u>7,924,185</u>
3,322,407	3,106,003	2,995,373	2,467,088	2,022,730	2,163,278
784,774	397,464	399,983	344,831	397,888	339,905
38,219,579	35,805,919	35,756,468	34,586,900	34,651,139	34,252,624
3,804,917	3,489,771	3,433,348	3,509,578	3,602,180	3,413,443
13,266,847	13,795,668	21,471,393	15,776,954	13,008,829	15,727,297
	195,018	174,787	164,532	198,191	173,984
188,135	50,000	25,688	4,449,193	749,465	205,115
<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>	<u>61,299,076</u>	<u>54,630,422</u>	<u>56,275,646</u>
<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>	<u>\$64,199,831</u>
\$3,099,636	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496	\$2,214,779
8,377,228	6,348,914	6,310,828	5,999,244	5,770,904	5,760,579
6,691,503	7,270,857	6,925,355	7,301,740	6,640,567	6,905,658
5,040,588	4,652,758	4,279,720	4,229,251	4,051,046	4,020,572
1,063,892	747,447	570,317	627,951	627,678	840,271
287,028	288,678	300,765	409,891	307,253	447,757
<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>	<u>20,189,616</u>
3,006,694	2,492,185	2,452,577	2,191,955	2,479,096	2,408,860
682,131	516,915	508,608	457,454	367,752	333,266
37,738,830	34,612,064	34,319,736	34,455,128	33,341,909	32,751,288
3,046,878	3,159,786	2,734,692	2,767,320	2,531,144	2,441,081
11,789,863	13,066,535	20,613,979	14,962,607	12,513,597	14,532,831
	291,201	249,672	268,532	264,385	232,096
<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>	<u>52,699,422</u>
<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>	<u>\$76,167,779</u>	<u>\$71,085,827</u>	<u>\$72,889,038</u>

**CITY OF OWATONNA, MINNESOTA**  
**Changes in Net Position - Continued**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$(19,321,419)	\$(17,595,749)	\$(18,246,653)	\$(15,768,893)
Business-type activities	5,086,049	6,130,865	4,581,201	3,437,440
Total primary government	<u>\$(14,235,370)</u>	<u>\$(11,464,884)</u>	<u>\$(13,665,452)</u>	<u>\$(12,331,453)</u>
<b>General Revenues and Other</b>				
<b>Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes, (general purposes)	\$12,860,742	\$12,229,960	\$11,810,733	\$10,407,798
Property taxes, (debt service)	1,343,083	1,353,663	1,018,307	991,067
Sales & excise tax				
Franchise tax	343,202	352,715	353,476	348,769
Lodging tax				
Unrestricted grants and contributions	5,351,753	4,364,245	4,387,352	4,341,397
Investment earnings	387,414	652,930	440,334	240,752
Other				
Transfers	606,296	429,659	48,162	(81,685)
Total governmental activities	<u>20,892,490</u>	<u>19,383,172</u>	<u>18,058,364</u>	<u>16,248,098</u>
Business-type activities:				
Property taxes, (debt service)	312,070	312,938	314,930	322,411
Unrestricted grants and contributions				
Investment earnings	698,614	1,074,075	678,629	490,519
Other	11,017	509,178		
Transfers	(606,296)	(429,659)	(48,162)	81,685
Total business-type activities	<u>415,405</u>	<u>1,466,532</u>	<u>945,397</u>	<u>894,615</u>
Total primary government	<u>\$21,307,895</u>	<u>\$20,849,704</u>	<u>\$19,003,761</u>	<u>\$17,142,713</u>
<b>Change in Net Position</b>				
Governmental activities	\$1,571,071	\$1,787,423	\$(188,289)	\$479,205
Business-type activities	5,501,454	7,597,397	5,526,598	4,332,055
Total primary government	<u>\$7,072,525</u>	<u>\$9,384,820</u>	<u>\$5,338,309</u>	<u>\$4,811,260</u>

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$(17,912,918)	\$(14,669,968)	\$(14,126,104)	\$(11,317,585)	\$(12,415,068)	\$(12,265,431)
3,322,263	2,701,157	3,377,776	6,196,080	3,132,539	3,577,556
<u>\$(14,590,655)</u>	<u>\$(11,968,811)</u>	<u>\$(10,748,328)</u>	<u>\$(5,121,505)</u>	<u>\$(9,282,529)</u>	<u>\$(8,687,875)</u>
\$9,864,056	\$9,148,313	\$8,620,566	\$8,753,451	\$8,436,179	\$7,517,394
1,134,938	1,150,319	1,096,471	923,671	1,037,055	1,308,435
					888,740
346,777	339,322	342,607	324,401	307,594	303,642
4,201,348	4,103,313	4,253,144	3,357,405	3,428,021	3,624,122
134,961	190,031	511,958	(308,037)	137,539	360,304
		195,095			
3,306,122	90,441	(249,425)	(1,351,736)	(38,361)	212,002
<u>18,988,202</u>	<u>15,021,739</u>	<u>14,770,416</u>	<u>11,699,155</u>	<u>13,308,027</u>	<u>14,214,639</u>
247,970	248,410	251,775	253,885	252,521	233,499
332,421	284,548	485,348	(81,728)	222,481	421,654
(3,306,122)	(90,441)	249,425	1,351,736	38,361	(212,002)
<u>(2,725,731)</u>	<u>442,517</u>	<u>986,548</u>	<u>1,523,893</u>	<u>513,363</u>	<u>443,151</u>
<u>\$16,262,471</u>	<u>\$15,464,256</u>	<u>\$15,756,964</u>	<u>\$13,223,048</u>	<u>\$13,821,390</u>	<u>\$14,657,790</u>
\$1,075,284	\$352,691	\$644,312	\$381,570	\$892,959	\$1,949,208
596,532	3,143,674	4,364,324	7,719,973	3,645,902	4,020,707
<u>\$1,671,816</u>	<u>\$3,496,365</u>	<u>\$5,008,636</u>	<u>\$8,101,543</u>	<u>\$4,538,861</u>	<u>\$5,969,915</u>

**CITY OF OWATONNA, MINNESOTA**  
**Fund Balance – Governmental Funds**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund				
Nonspendable	\$153,417	\$160,637	\$169,421	\$169,529
Restricted	46,608	45,912	44,943	44,198
Assigned	3,119,384	2,980,474	3,084,017	2,216,436
Unassigned	8,544,022	8,166,473	7,665,558	8,245,075
Total general fund	<u>11,863,431</u>	<u>11,353,496</u>	<u>10,963,939</u>	<u>10,675,238</u>
All Other Governmental Funds				
Nonspendable				
Restricted	8,788,419	7,921,803	8,476,883	7,199,761
Committed	1,408,436	768,512	1,112,446	1,036,672
Assigned	6,115,477	6,064,409	6,072,226	5,438,542
Unassigned	(911,539)	(131,923)	(157,552)	(189,851)
Total all other governmental funds	<u>15,400,793</u>	<u>14,622,801</u>	<u>15,504,003</u>	<u>13,485,124</u>
Total governmental funds	<u>\$27,264,224</u>	<u>\$25,976,297</u>	<u>\$26,467,942</u>	<u>\$24,160,362</u>

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$200,044	\$283,764	\$224,489	\$78,276	\$86,340	\$122,709
43,717	43,432	43,058	42,066	42,066	41,791
2,066,020	2,050,503	1,912,882	1,843,366	2,164,701	2,145,826
8,088,843	8,075,845	7,851,566	7,731,961	7,348,001	6,620,420
<u>10,398,624</u>	<u>10,453,544</u>	<u>10,031,995</u>	<u>9,695,669</u>	<u>9,641,108</u>	<u>8,930,746</u>
		74,064	549,915		
7,282,461	9,414,768	8,953,592	8,312,438	9,084,236	11,734,213
1,114,534	1,114,534	1,528,371	2,644,186		
5,240,474	3,905,230	4,360,834	2,446,348	2,324,410	4,167,721
(239,266)	(216,589)	(219,861)			
<u>13,398,203</u>	<u>14,217,943</u>	<u>14,697,000</u>	<u>13,952,887</u>	<u>11,408,646</u>	<u>15,901,934</u>
<u>\$23,796,827</u>	<u>\$24,671,487</u>	<u>\$24,728,995</u>	<u>\$23,648,556</u>	<u>\$21,049,754</u>	<u>\$24,832,680</u>

**CITY OF OWATONNA, MINNESOTA**  
**Changes in Fund Balance of Governmental Funds**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>				
Taxes	\$14,460,256	\$13,926,612	\$13,230,823	\$11,762,834
Licenses and permits	570,608	422,036	449,857	445,702
Intergovernmental revenue	8,749,452	7,048,268	6,599,704	8,199,031
Charges for service	1,415,474	2,128,600	2,042,584	2,122,977
Fines and forfeits	137,314	160,072	156,847	157,683
Special assessments	812,614	829,705	677,503	839,631
Interest on investments	387,414	652,930	440,334	240,752
Miscellaneous	660,574	925,334	514,841	624,897
Total revenues	<u>27,193,706</u>	<u>26,093,557</u>	<u>24,112,493</u>	<u>24,393,507</u>
<b>Expenditures</b>				
Current operating				
General government	3,868,465	3,074,250	2,902,381	2,815,113
Public safety	7,724,843	7,390,178	6,909,832	6,841,352
Public works	4,378,073	4,525,795	4,345,785	4,031,989
Culture and recreation	4,090,156	4,737,918	4,659,725	4,634,202
Housing & economic development	2,060,099	1,149,628	1,093,759	773,449
Miscellaneous	129,243	146,218	83,457	100,110
Capital outlay	3,972,857	6,651,508	5,990,656	5,632,005
Debt service:				
Principal retired	1,625,000	1,250,000	1,335,000	1,615,000
Interest and service charges	486,867	468,986	297,878	257,834
Payment to refunding escrow agent				
Total all other governmental funds	<u>28,305,603</u>	<u>29,394,481</u>	<u>27,618,473</u>	<u>26,701,054</u>
Excess of revenues over (under) expenditures	<u>(1,111,897)</u>	<u>(3,300,924)</u>	<u>(3,505,980)</u>	<u>(2,307,547)</u>
<b>Other finance sources (uses)</b>				
Bond issuance	1,545,000	1,860,000	4,825,000	2,015,000
Premium(Discount) on bonds	227,124	357,779	402,560	108,582
Other				
Sale of capital assets				
Transfers out	(1,350,920)	(148,300)	(170,920)	(148,190)
Transfers in	1,978,620	739,800	756,920	695,690
Total other financing sources (uses)	<u>2,399,824</u>	<u>2,809,279</u>	<u>5,813,560</u>	<u>2,671,082</u>
Net change in fund balance	<u>\$1,287,927</u>	<u>\$(491,645)</u>	<u>\$2,307,580</u>	<u>\$363,535</u>
Debt service as a percentage of noncapital expenditures	8.68%	7.46%	7.30%	8.63%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$11,315,685	\$10,658,545	\$10,089,188	\$9,999,651	\$9,820,395	\$9,981,547
428,138	292,628	349,311	350,707	279,645	374,415
6,869,605	7,290,973	7,755,657	7,562,657	6,434,010	7,617,353
2,132,546	1,857,471	1,704,610	2,084,835	1,899,600	2,167,578
142,447	157,719	172,951	172,778	206,517	231,901
936,065	1,137,312	1,099,194	1,361,391	1,444,022	1,467,016
134,961	190,031	511,958	(308,037)	137,539	360,304
621,632	1,452,189	853,621	667,413	332,307	443,774
<u>22,581,079</u>	<u>23,036,868</u>	<u>22,536,490</u>	<u>21,891,395</u>	<u>20,554,035</u>	<u>22,643,858</u>
2,674,639	2,528,782	2,338,333	2,131,704	2,086,672	2,065,066
6,605,121	6,200,216	6,094,080	5,645,420	5,566,365	5,604,482
3,850,262	3,681,956	3,444,217	3,091,860	3,267,360	3,151,255
4,495,841	4,035,671	3,796,924	3,770,340	3,813,868	3,976,416
1,028,038	734,410	462,086	453,050	405,640	494,299
146,547	127,580	294,163	380,217	359,119	532,355
3,613,361	5,905,097	4,615,949	7,234,554	4,145,253	4,758,793
1,765,000	1,890,000	1,845,000	2,175,000	4,720,000	3,085,000
330,154	293,620	313,028	302,980	339,625	512,999
810,000					
<u>25,318,963</u>	<u>25,397,332</u>	<u>23,203,780</u>	<u>25,185,125</u>	<u>24,703,902</u>	<u>24,180,665</u>
<u>(2,737,884)</u>	<u>(2,360,464)</u>	<u>(667,290)</u>	<u>(3,293,730)</u>	<u>(4,149,867)</u>	<u>(1,536,807)</u>
1,300,000	1,685,000	1,135,000	3,845,000		3,325,000
99,109	98,893	32,211	71,433		(14,963)
	110,979		1,858,593	46,941	
	5,584	215,518			
(658,975)	(128,000)	(564,000)	(2,963,221)	(50,000)	(1,403,508)
1,123,090	530,500	929,000	3,278,221	370,000	1,663,508
<u>1,863,224</u>	<u>2,302,956</u>	<u>1,747,729</u>	<u>6,090,026</u>	<u>366,941</u>	<u>3,570,037</u>
<u>\$(874,660)</u>	<u>\$(57,508)</u>	<u>\$1,080,439</u>	<u>\$2,796,296</u>	<u>\$(3,782,926)</u>	<u>\$2,033,230</u>
13.18%	10.55%	10.84%	11.87%	23.99%	17.99%

**CITY OF OWATONNA, MINNESOTA**  
**Program Revenues and Expenses by Function**  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$396,420	\$453,359	\$348,509	\$321,021
Public safety	1,033,653	852,832	833,619	778,822
Public works	478,469	555,541	543,571	673,815
Culture and recreation	754,448	1,359,896	1,356,050	1,321,495
Other activities	39,313	18,045	21,072	19,208
Operating grants & contributions	2,519,643	1,719,641	1,493,152	1,562,720
Capital grants & contributions	1,640,688	2,853,965	1,262,057	3,749,360
Total governmental activities	<u>6,862,634</u>	<u>7,813,279</u>	<u>5,858,030</u>	<u>8,426,441</u>
Business-type activities:				
Charges for services:				
Sewer	3,894,053	3,755,393	3,675,717	3,416,993
Storm water	1,208,514	1,212,090	1,068,692	923,459
Electric	40,916,882	41,517,739	40,814,286	39,025,342
Water	4,465,627	4,142,576	4,169,129	3,948,324
Gas	12,316,516	13,946,020	14,762,244	14,019,597
Aquatic center				
Operating grants and contributions			5,000	
Capital grants and contributions		236,174	9,262	135,032
Total business-type activities	<u>62,801,592</u>	<u>64,809,992</u>	<u>64,504,330</u>	<u>61,468,747</u>
Total primary government	<u>\$69,664,226</u>	<u>\$72,623,271</u>	<u>\$70,362,360</u>	<u>\$69,895,188</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$4,318,885	\$3,461,354	\$3,205,461	\$3,243,404
Public safety	7,595,141	7,349,429	6,812,922	7,652,397
Public works	7,367,252	7,834,535	7,474,091	7,072,006
Culture and recreation	4,474,475	5,202,377	5,165,302	5,201,248
Other activities	2,077,187	1,156,663	1,111,126	791,706
Interest on long-term debt	351,113	404,670	335,781	234,573
Total governmental activities	<u>26,184,053</u>	<u>25,409,028</u>	<u>24,104,683</u>	<u>24,195,334</u>
Business-type activities:				
Sewer	2,732,848	2,868,854	2,798,229	2,847,495
Storm water	685,583	780,772	660,873	591,835
Electric	39,131,242	38,886,514	39,303,834	37,610,225
Water	3,366,652	3,244,405	3,420,096	3,250,860
Gas	11,799,218	12,898,582	13,740,097	13,730,892
Aquatic center				
Housing and economic development				
Total business-type activities	<u>57,715,543</u>	<u>58,679,127</u>	<u>59,923,129</u>	<u>58,031,307</u>
Total primary government	<u>\$83,899,596</u>	<u>\$84,088,155</u>	<u>\$84,027,812</u>	<u>\$82,226,641</u>

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$354,171	\$325,810	\$353,387	\$343,280	\$277,682	\$190,330
821,115	646,479	704,699	778,934	672,500	806,155
658,045	583,402	433,409	849,117	675,880	561,208
1,308,683	1,167,819	1,147,686	1,108,691	1,136,581	1,082,618
19,528	9,640	13,121	12,794	8,579	15,442
1,499,973	1,411,675	1,692,420	1,253,133	1,095,946	1,058,672
1,985,442	3,351,342	2,596,415	5,401,249	3,305,708	4,209,760
<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>	<u>7,924,185</u>
3,322,407	3,106,003	2,995,373	2,467,088	2,022,730	2,163,278
784,774	397,464	399,983	344,831	397,888	339,905
38,219,579	35,805,919	35,756,468	34,586,900	34,651,139	34,252,624
3,804,917	3,489,771	3,433,348	3,509,578	3,602,180	3,413,443
13,266,847	13,795,668	21,471,393	15,776,954	13,008,829	15,727,297
	195,018	174,787	164,532	198,191	173,984
188,135	50,000	25,688	4,449,193	749,465	205,115
<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>	<u>61,299,076</u>	<u>54,630,422</u>	<u>56,275,646</u>
<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>	<u>\$64,199,831</u>
\$3,099,636	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496	\$2,214,779
8,377,228	6,348,914	6,310,828	5,999,244	5,770,904	5,760,579
6,691,503	7,270,857	6,925,355	7,301,740	6,640,567	6,905,658
5,040,588	4,652,758	4,279,720	4,229,251	4,051,046	4,020,572
1,063,892	747,447	570,317	627,951	627,678	840,271
287,028	288,678	300,765	409,891	307,253	447,757
<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>	<u>20,189,616</u>
3,006,694	2,492,185	2,452,577	2,191,955	2,479,096	2,408,860
682,131	516,915	508,608	457,454	367,752	333,266
37,738,830	34,612,064	34,319,736	34,455,128	33,341,909	32,751,288
3,046,878	3,159,786	2,734,692	2,767,320	2,531,144	2,441,081
11,789,863	13,066,535	20,613,979	14,962,607	12,513,597	14,532,831
	291,201	249,672	268,532	264,385	232,096
<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>	<u>52,699,422</u>
<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>	<u>\$76,167,779</u>	<u>\$71,085,827</u>	<u>\$72,889,038</u>

**CITY OF OWATONNA, MINNESOTA**  
**General Governmental Tax Revenues by Source**  
 Last Ten Fiscal Years

Fiscal Year	Property Taxes	Franchise Fees	Sales/Excise Tax <sup>1</sup>	Other Taxes	Total Taxes
2020	\$13,004,013	\$343,202		\$1,113,041	\$14,460,256
2019	12,528,554	352,938		1,045,120	13,926,612
2018	11,819,570	353,476		1,009,470	13,182,516
2017	10,708,918	348,769	\$17,189	672,758	11,747,634
2016	10,235,502	346,777		763,492	11,345,771
2015	9,761,650	339,322		536,982	10,637,954
2014	9,395,859	342,607		321,178	10,059,644
2013	9,362,644	324,401		314,478	10,001,523
2012	9,184,422	307,594		288,812	9,780,828
2011	8,508,860	303,642	888,740	316,969	10,018,211

Sources of Data: Includes general fund, special revenue funds, capital project funds and debt service fund

<sup>1</sup> Special Legislation authorized a local option sales tax and excise tax beginning April 1, 2007. This tax was terminated by council resolution on June 30, 2011. The City received an additional payment for subsequent year's collections of delinquent sales tax in 2017.

**CITY OF OWATONNA, MINNESOTA**  
**Property Tax Levies and Collections**  
 Last Ten Fiscal Years

Fiscal Year	Total Net Tax Levy	Collected in the Year of the Levy		Collections In Subsequent Years	Total Collections To Date	
		Current Tax Collections	Percent of Levy		Amount	Percent of Levy
2020	\$13,554,811	\$13,415,879	98.98%	\$16,513	\$13,432,392	99.10%
2019	12,984,770	12,929,906	99.58%	54,864	12,984,770	100.00%
2018	12,271,685	12,184,513	99.29%	62,563	12,247,076	99.80%
2017	11,200,666	11,121,534	99.29%	66,645	11,187,999	99.89%
2016	10,620,130	10,510,986	98.97%	109,144	10,620,130	100.00%
2015	10,140,627	10,062,832	99.23%	65,220	10,128,052	99.88%
2014	9,739,414	9,648,527	99.07%	80,905	9,729,432	99.90%
2013	9,742,984	9,627,589	98.82%	101,397	9,728,986	99.86%
2012	9,559,080	9,400,793	98.34%	156,550	9,557,343	99.98%
2011	8,818,938	8,665,892	98.26%	151,332	8,817,224	99.98%

Source of Data: Includes general fund and debt service funds

**CITY OF OWATONNA, MINNESOTA**  
**Tax Capacity and Estimated Value of Taxable Property**  
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Ratio of Tax Capacity to Estimated Market Value	Total Direct Tax Rate
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2020	\$22,631,009	\$2,026,039,800	\$110,369	\$6,469,300	\$22,741,378	\$2,032,509,100	.0112:1	63.283
2019	21,449,846	1,919,362,500	83,851	5,180,000	21,553,697	1,924,542,500	.0112:1	63.283
2018	20,178,290	1,819,179,300	89,005	5,472,300	20,267,295	1,824,651,600	.0111:1	63.768
2017	18,836,226	1,714,832,600	89,226	5,462,900	18,925,452	1,720,295,500	.0110:1	61.513
2016	18,269,331	1,669,155,800	91,010	5,494,500	18,360,341	1,674,650,300	.0110:1	60.653
2015	17,584,660	1,622,202,000	93,925	5,677,800	17,678,585	1,627,879,800	.0109:1	58.102
2014	16,865,181	1,575,917,700	96,222	5,796,800	16,961,403	1,581,714,500	.0107:1	59.018
2013	16,610,085	1,561,121,700	95,410	5,757,100	16,705,495	1,566,878,800	.0107:1	59.754
2012	16,774,602	1,594,105,600	88,362	5,224,600	16,862,964	1,599,330,200	.0105:1	58.051
2011	19,394,151	1,654,389,500	91,239	5,338,200	19,485,390	1,659,727,700	.0117:1	50.197

Source: Steele County Auditor & Steele County Assessor

**CITY OF OWATONNA, MINNESOTA**  
**Property Tax Rates and Tax Levies – Direct and Overlapping Governments**  
 Last Ten Fiscal Years

Year	Direct				Direct Total	Overlapping		Over-Lapping Total	Direct & Over-Lapping Total
	General	Debt Service	Capital Improve-Ment	Other		School District	County		
2020	51.025	7.581	3.221	.845	62.672	24.747	60.617	85.364	148.036
2019	51.069	8.006	3.366	.842	63.283	27.650	60.667	88.317	151.600
2018	50.637	6.801	5.480	.850	63.768	30.078	61.627	91.705	155.473
2017	51.376	7.122	2.172	.842	61.513	30.708	59.890	90.598	152.111
2016	50.294	7.811	1.727	.821	60.653	31.493	60.393	91.886	152.539
2015	46.627	7.887	1.993	1.595	58.102	16.662	59.533	76.195	134.297
2014	47.019	8.032	2.404	1.563	59.018	17.954	59.246	77.200	136.218
2013	47.682	7.142	3.348	1.582	59.754	19.375	62.495	81.870	141.624
2012	45.569	7.686	2.710	2.086	58.051	20.047	62.970	83.017	141.068
2011	39.037	8.182	.803	2.175	50.197	17.122	55.332	72.454	122.651

Note: Tax rates are per \$1,000 of tax capacity. Tax capacity is equal to market value multiplied by the applicable class rate for the type of property that is being taxed.

Source: Steele County Auditor and Steele County Assessor

**CITY OF OWATONNA, MINNESOTA**  
**Principal Property Taxpayers**  
 Current Year and Ten Years Ago

Taxpayer	Business type	2020			2011		
		Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Viracon, Inc	Glass Products	\$531,982	1	2.34%	\$170,730	3	.88%
Federated Mutual Insurance	Insurance	314,724	2	1.38%	233,068	1	1.20%
Cybex	Manufacturing	265,370	3	1.17%	100,202	10	.51%
SMMPA	Utility	205,020	4	.90%			
Cabela's Retail	Retail	177,378	5	.78%	179,544	2	.92%
Daikin, Inc.	Manufacturing	162,474	6	.71%			
Cheney Owatonna LLC	Apartments	158,086	7	.70%			
Owatonna Clinic – Mayo	Health System	154,866	8	.68%	154,648	4	.79%
Mills Properties	Retail				152,738	5	.78%
Wenger Corp (JAS)	Musical Equip	130,846	9	.57%	107,820	8	.55%
Wal-Mart	Retail	123,708	10	.54%	109,378	6	.56%
Owatonna Hospitality	Commercial				109,032	7	.56%
Lowes Home Stores	Retail				105,236	9	.54%
		<u>\$2,224,454</u>		<u>9.78%</u>	<u>\$1,422,396</u>		<u>7.30%</u>

Source: Steele County Assessor  
 Ranking based on tax capacity

**CITY OF OWATONNA, MINNESOTA**  
**Ratios of Outstanding Debt by Type**  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage Of Personal Income*	Per Capita*
	General Obligation Bonds	G.O. Improvement Bonds	Other Bonds <sup>2</sup>	Lease Revenue Bonds	Capital Leases	Revenue Bonds	G.O. Revenue Bonds			
2020	\$6,824,172	\$6,856,755	\$535,000	\$0	\$0	\$0	\$6,212,936	\$20,428,863	N/A	N/A
2019	5,827,304	7,699,204	660,000	0	23,607	\$0	7,150,936	21,361,051	1.67%	\$811.78
2018	6,232,560	6,283,099	785,000	0	46,488	0	8,101,351	21,448,498	1.73%	822.19
2017	1,345,000	7,202,352	905,000	0	68,664	0	9,043,767	18,564,783	1.64%	716.18
2016	1,635,000	6,317,016	1,025,000	0	90,157	0	9,594,183	18,661,356	1.66%	721.57
2015	1,735,000	7,304,657	1,140,000	0	110,979	0	7,897,209	18,187,845	1.65%	705.45
2014	1,465,000	7,695,348	1,140,000	0	16,261	885,000	8,629,369	19,830,978	1.83%	772.83
2013	805,000	9,021,992	1,140,000	0	31,900	1,737,584	9,348,529	22,085,005	2.06%	863.57
2012	765,000	8,475,000	0	0	46,941	2,515,000	10,037,928	21,839,869	2.00%	857.51
2011	765,000	13,095,000	0	100,000	21,942	3,260,000	10,727,928	27,969,870	2.77%	1,093.77

\*Personal income and population data can be found in the demographic statistics on page 139.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements

<sup>2</sup> Other Bonds consisted of TIF bonds in 2013-2020.

**CITY OF OWATONNA, MINNESOTA**  
**Ratios of Net General Bonded Debt Outstanding**  
 Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2020	\$6,824,172	\$894,229	\$5,929,943	.2608:1	N/A
2019	5,827,304	985,979	4,841,325	.2246:1	\$183.98
2018	6,232,560	524,364	5,708,196	.2816:1	218.81
2017	1,345,000	457,935	887,065	.0469:1	34.22
2016	1,635,000	535,675	1,099,325	.0599:1	42.51
2015	1,735,000	397,239	1,337,761	.0757:1	51.89
2014	1,465,000	208,537	1,256,463	.0741:1	48.97
2013	805,000	141,064	663,936	.0397:1	25.96
2012	765,000	126,388	638,612	.0379:1	25.07
2011	765,000	0	765,000	.0393:1	29.92

**CITY OF OWATONNA, MINNESOTA**  
**Legal Debt Margin Information**  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt Limit	\$60,975	\$57,736	\$54,740	\$51,609	\$50,240	\$48,836	\$47,451	\$47,006	\$47,980	\$49,792
Total net debt applicable to limit	5,930	4,841	5,709	887	1,099	1,333	1,256	664	639	765
Legal debt margin	55,045	52,895	49,031	50,722	49,141	47,503	46,195	46,342	47,341	49,027
Total net debt applicable to the limit as a % of debt limit	9.73%	8.38%	10.43%	1.72%	2.19%	2.73%	2.65%	1.41%	1.33%	1.54%

**Legal Debt Margin Calculation for Current Fiscal Year**

Market Value of Taxable Property	\$2,032,509
Debt limit (3% of market value)	60,975
Debt applicable to limit:	
General obligation bonds	6,824
Less: Amount set aside for repayment of general obligation debt	894
Total net debt applicable to limit	<u>5,930</u>
Legal debt margin	<u><u>\$55,045</u></u>

The legal debt limit for municipalities in Minnesota is 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, and tax increment bonds.

**CITY OF OWATONNA, MINNESOTA**  
**Computation of Direct and Overlapping Debt**  
 End of Fiscal Year 2020

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Owatonna	City of Owatonna's Share of Debt
Direct:			
City of Owatonna	\$14,215,924	100.00%	\$14,215,924
Overlapping:			
School District	173,210,000	69.3%	120,034,530
Steele County	11,280,000	52.1%	5,876,880
Total overlapping debt			<u>125,911,410</u>
Total direct and overlapping debt			<u>\$140,127,334</u>

Source: Steele County Auditor

Note: The overlap is based on tax capacity. It equals the percentage of tax capacity that falls within the City.

**CITY OF OWATONNA, MINNESOTA**  
**Schedule of (OPU) Revenue Bond Coverage**  
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2020	\$58,079,537	\$51,434,393	\$6,645,144	\$0	\$0	\$0	N/A
2019	60,162,494	52,115,067	8,047,427	0	0	0	N/A
2018	60,113,090	53,285,399	6,827,691	0	0	0	N/A
2017	56,993,263	51,408,993	5,584,270	0	0	0	N/A
2016	55,506,821	49,306,287	6,200,534	0	0	0	N/A
2015	53,231,414	47,800,366	5,431,048	885,000	44,251	929,251	5.84
2014	60,769,422	54,868,584	5,900,838	830,000	85,750	915,750	6.44
2013	53,980,784	49,381,717	4,599,067	800,000	125,750	925,750	4.97
2012	51,378,741	45,864,009	5,514,732	745,000	163,000	908,000	6.07
2011	53,507,291	47,147,464	6,359,827	720,000	199,000	919,000	6.92

Gross revenues include all revenues from operations and interest.  
 Operating expense includes the cost of operations excluding depreciation expense.

**CITY OF OWATONNA, MINNESOTA**  
**Schedule of Storm Water Fund Bond Coverage**  
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2020	\$1,563,716	\$328,388	\$1,235,328	\$395,000	\$89,512	\$484,512	2.55
2019	1,277,473	412,094	865,379	385,000	101,210	486,210	1.78
2018	1,105,181	291,921	813,260	385,000	112,763	497,763	1.63
2017	1,245,870	229,467	1,016,403	0	61,244	61,244	16.60
2016	1,042,846	198,549	844,297	230,000	95,143	325,143	2.60
2015	653,918	229,302	424,616	225,000	103,674	328,674	1.29
2014	675,404	220,108	455,296	220,000	112,018	332,018	1.37
2013	584,554	153,262	431,292	210,000	119,817	329,817	1.31
2012	652,806	116,261	536,545	205,000	127,080	332,080	1.62
2011	582,304	88,726	493,578	200,000	134,168	334,168	1.48

Gross revenues include all revenues from operations, debt service levy and interest.  
 Operating expense includes the cost of operations excluding depreciation expense.

**CITY OF OWATONNA, MINNESOTA**  
**Demographic and Economic Statistics**  
 Last Ten Fiscal Years

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per Capita Personal Income <sup>3</sup>	School Enrollment <sup>4</sup>	Average Annual Unemployment Rate <sup>5</sup>
2020	N/A	N/A	N/A	5,067	4.8%
2019	26,314	\$1,278,334,120	\$48,580	5,100	3.2%
2018	26,087	1,241,845,548	47,604	5,060	2.9%
2017	25,922	1,128,877,178	43,549	5,075	3.4%
2016	25,862	1,124,221,140	43,470	5,048	3.6%
2015	25,782	1,101,200,784	42,712	4,985	3.4%
2014	25,660	1,086,239,120	42,332	4,990	3.8%
2013	25,574	1,071,243,712	41,888	4,906	4.9%
2012	25,469	1,093,791,674	42,946	4,851	5.7%
2011	25,572	1,011,474,888	39,554	4,889	6.6%

<sup>1</sup> State demographer estimate. 2010 Census

<sup>2</sup> Estimation; Calculated (population multiplied by per capita personal income)

<sup>3</sup> Bureau of Economic Analysis; <http://www.bea.gov/regional/reis/> (Steele County)

<sup>4</sup> Owatonna School District #761 – regular average daily membership

<sup>5</sup> MN Department of Employment and Economic Development

N/A: Data was not available for this year

**CITY OF OWATONNA, MINNESOTA**  
**Principal Employers**  
Current Year and Eight Years Ago

<u>Employer</u>	<u>Business type</u>	2020			2011		
		<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Viracon, Inc.	Glass products	1,535	1	7.49%	1,700	1	9.59%
Federated Mutual Insurance	Insurance	1,390	2	6.78%	1,520	2	8.57%
Owatonna ISD# 761	Education	770	3	3.76%	719	4	4.05%
Bosch	Specialty tools	540	4	2.63%	700	5	3.95%
Truth Hardware Corp	Window hardware	508	5	2.48%	800	3	4.51%
Daikin	HVAC manufacturing	450	6	2.19%			
Mayo Clinic Health System	Healthcare	406	7	1.98%	500	6	2.82%
Wenger Corp	Musical equipment	370	8	1.80%	500	7	2.82%
Josten's Inc.	Recognition products	370	9	1.80%	500	8	2.82%
Cybox	Exercise equipment mfg	320	10	1.56%			
Steele County	County government				402	10	2.27%
Cabela's	Outfitters/sporting goods				416	9	2.35%
<b>Total</b>		<b>6,659</b>		<b>32.47%</b>	<b>7,757</b>		<b>42.62%</b>

Source: 2011 – Infogroup, written and phone interview August 2011.  
2020 – phone interview May 2020.  
Total City employment data obtained from Minnesota Quarterly Census and Employment and Wages Data

**CITY OF OWATONNA, MINNESOTA**  
**Full-time Equivalent City Employees by Function**  
 Last Ten Fiscal Years  
 (based on Adopted budgets)

<b>Function</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
General government										
Admin services	11.4	10.0	10.0	10.0	9.5	9.5	8.0	8.0	7.0	7.0
Govt buildings	8.1	9.1	9.1	9.1	10.1	10.1	10.1	10.4	8.0	8.0
Public safety										
Police	40.4	43.1	42.8	42.8	42.8	42.8	43.1	40.6	38.0	38.0
Fire	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Inspection	4.0	4.0	4.0	4.0	3.7	3.7	4.0	4.0	4.0	4.0
Public works										
Engineering	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Street maintenance	18.0	18.0	18.0	17.0	17.0	17.0	17.0	17.0	17.0	18.0
Airport	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Culture & recreation										
Library	13.1	14.1	14.1	14.1	13.9	12.5	11.4	11.9	10.0	10.0
Recreation – admin	4.7	5.2	5.2	4.9	4.2	4.0	3.5	3.8	2.0	2.0
Park maintenance	10.9	10.7	10.6	11.2	11.2	11.2	11.2	11.4	8.0	8.0
Adult recreation				1.0	1.0	1.0	1.0	1.0	1.0	1.0
Youth recreation	1.7	1.7	1.0	.9	.9	1.9	2.0	1.9	1.0	1.0
Tennis & fitness	1.7	1.7	1.7	1.7	1.7	1.0	1.0	1.0	1.0	1.0
Senior center	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Brooktree golf course	1.7	3.1	3.1	3.5	3.5	2.8	3.7	3.6	1.0	1.0
Housing & econ develop										
Planning & zoning	4.6	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0
<b>Total</b>	<u>139.8</u>	<u>144.2</u>	<u>143.1</u>	<u>143.7</u>	<u>143.0</u>	<u>140.5</u>	<u>138.0</u>	<u>136.6</u>	<u>120.0</u>	<u>121.0</u>

Source: Adopted 2011-2020 Budgets

Note: Years 2011 – 2012 did not include FTE for part-time positions. Those years only include full time positions, as part-time positions were not detailed out in the budget document.

**CITY OF OWATONNA, MINNESOTA**  
**Capital Asset Statistics by Function**  
 Last Ten Fiscal Years

<b>Function</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units – marked	14	14	12	13	13	13	13	13	14	15
Patrol units – unmarked	8	8	9	8	8	8	8	8	8	8
Police reserve unit - marked	2	2	3	3	2	2	2	4	2	3
Parking control	1	1	1	1	1	1	1	1	1	1
Off-road vehicle	0	0	1	1	1	1	1	1	1	N/A
Fire station										
Stations	1	1	1	1	1	1	1	1	1	1
Fire/Rescue vehicles	12	12	12	12	12	12	12	12	12	12
Streets										
Streets (miles)	163.1	162.8	162.3	162.3	161.9	161.9	161.9	161.9	161.9	161.9
Airport										
Primary Runway length (ft)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Secondary Runway length (ft)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Culture and recreation										
Senior center	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	13	13	16	16	16	16	16	16	16	16
Parks acreage	1,000	1000	1000	1000	1000	997	997	997	995	955
Parks	37	36	36	36	36	36	36	36	36	31
Water										
Storage capacity (millions of gallons)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Fire hydrants	1,249	1,233	1,229	1,240	1,232	1,234	1,319	1,319	1,319	1,319
Electric										
Number of customers	12,257	12,213	12,075	12,075	11,994	11,907	11,916	11,903	11,795	11,673
Gas										
Number of customers	10,616	10,584	10,497	10,487	10,447	10,385	10,411	10,339	10,263	10,229
Sewer										
Max daily treatment capacity (millions of gallons)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Various government departments

**CITY OF OWATONNA, MINNESOTA**  
**Operating Indicators by Function**  
 Last Ten Fiscal Years

<b>Function</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Police										
Events	42,367	46,335	41,853	41,602	28,856	30,868	43,622	42,721	41,380	37,782
Part I crimes	254	438	462	428	608	739	665	720	646	530
Part II crimes	447	670	596	527	743	895	864	894	916	801
Traffic citations	1,660	1,572	1,656	1,614	1,249	1,436	2,130	2,807	2,829	2,462
Fire										
Number of calls	464	545	476	495	441	444	467	493	426	494
Aquatic Center										
Admissions	8,040	28,300	25,837	23,485	23,414	30,306	26,455	26,807	28,392	24,393
Library										
Circulation	129,468	240,423	259,075	256,732	271,978	283,172	293,025	316,171	336,171	337,641
Registered Users	23,881	25,227	26,734	26,775	26,442	28,720	26,959	28,854	28,145	27,873
Water										
Avg daily consumption (thousands of cubic ft)	503	465	497	497	477	482	488	477	515	486
Electric										
Avg daily consumption (thousands of KWh)	1,168	1,126	1,079	1,043	1,039	1,018	1,019	995	981	983
Gas										
Avg daily consumption (thousands of cubic ft)	5,524	6,242	5,940	5,350	4,860	5,353	6,189	5,937	4,648	5,125
Wastewater										
Avg daily sewage treatment (millions of gallons)	4.20	4.93	4.14	4.17	4.01	3.94	4.09	4.04	3.53	4.32

Source: Various government departments