

Annual Financial Report

City of Medina

Medina, Minnesota

For the Year Ended
December 31, 2020

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Medina, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathleen Martin	Mayor	12/31/20
John Anderson	Council Member	12/31/20
Jeff Pederson	Council Member	12/31/20
Todd Albers	Council Member	12/31/22
Dino DesLauriers	Council Member	12/31/22

APPOINTED

<u>Name</u>	<u>Title</u>
Scott Johnson	City Administrator
Erin Barnhart	Finance Director
Jodi Gallup	Assistant City Administrator/City Clerk

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FINANCIAL SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Medina, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB liability starting on page 78 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

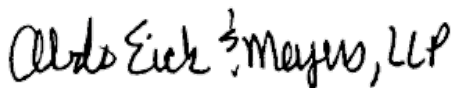
Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basis financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 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 results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 29, 2021

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Management's Discussion and Analysis

As management of the City of Medina, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$47,995,360 (*net position*). Of this amount, \$13,893,378 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net position of governmental activities increased by \$454,227 and total net position of the business-type activities increased by \$2,122,997. This resulted in an increase to total net position of \$2,577,224 for the City. This is largely due to continued development and growth. The City's partnerships with developers to expand utility and transportation infrastructure and associated development fees have contributed to a large part of the increase in total net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,008,783, an increase of \$4,459,623 in comparison with the prior year. The increase can mainly be attributed to bonds issued in the amount of \$5,720,000 that are to be used in 2021 to refund and payoff previously issued bonds.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,375,231, or 63.7 percent of total General fund expenditures and transfers out.
- The City's total debt increased \$3,029,172, or 27.0 percent during the current fiscal year. The key factor of this increase was due to the issuance of the 2020A bonds in the amount of \$5,720,000 offset with regularly scheduled principal payments.

Overview of the Financial Statements

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

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

Figure 1
Required Components of the
City's Annual Financial Report

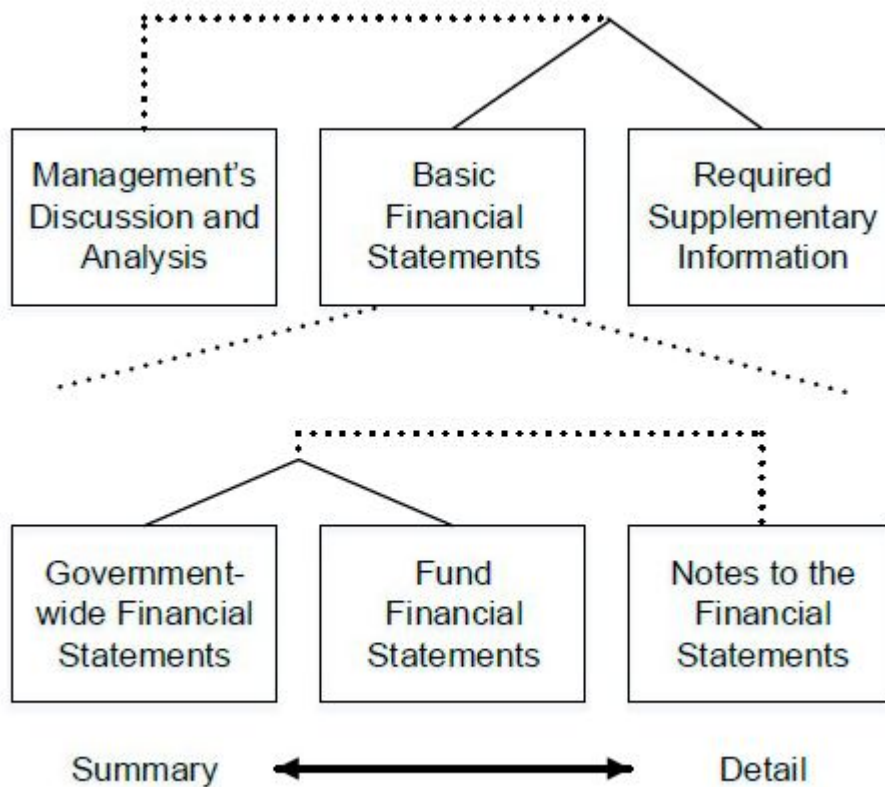


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities of the City that operates similar to private businesses, such as the water and sewer systems
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, as well as short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, as well as short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, sanitation and recycling, culture and recreation, economic development, miscellaneous and interest on long-term debt. The business-type activities of the City include water, sanitary sewer, and storm water.

The government-wide financial statements start on page 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains numerous individual governmental funds, eight of which are Debt Service 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 Sewer Capital Improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 34 of this report.

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

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

The basic proprietary fund financial statements start on page 40 this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 86 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found starting on page 78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,995,360 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (52.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Medina's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 21,639,065	\$ 17,263,227	\$ 4,375,838	\$ 5,967,814	\$ 5,315,109	\$ 652,705
Capital assets	26,066,760	26,274,363	(207,603)	13,491,961	12,593,515	898,446
Total Assets	<u>47,705,825</u>	<u>43,537,590</u>	<u>4,168,235</u>	<u>19,459,775</u>	<u>17,908,624</u>	<u>1,551,151</u>
Deferred Outflows of Resources	<u>728,871</u>	<u>1,104,251</u>	<u>(375,380)</u>	<u>17,445</u>	<u>20,889</u>	<u>(3,444)</u>
Liabilities						
Noncurrent liabilities	15,976,090	12,110,504	3,865,586	889,054	1,451,108	(562,054)
Other liabilities	2,023,020	1,834,134	188,886	64,127	45,989	18,138
Total Liabilities	<u>17,999,110</u>	<u>13,944,638</u>	<u>4,054,472</u>	<u>953,181</u>	<u>1,497,097</u>	<u>(543,916)</u>
Deferred Inflows of Resources	<u>951,449</u>	<u>1,667,293</u>	<u>(715,844)</u>	<u>12,816</u>	<u>44,190</u>	<u>(31,374)</u>
Net Position						
Net investment in capital assets	12,450,810	16,439,841	(3,989,031)	12,878,384	11,402,682	1,475,702
Restricted	8,772,788	4,464,889	4,307,899	-	-	-
Unrestricted	<u>8,260,539</u>	<u>8,125,180</u>	<u>135,359</u>	<u>5,632,839</u>	<u>4,985,544</u>	<u>647,295</u>
Total Net Position	<u>\$ 29,484,137</u>	<u>\$ 29,029,910</u>	<u>\$ 454,227</u>	<u>\$ 18,511,223</u>	<u>\$ 16,388,226</u>	<u>\$ 2,122,997</u>

An additional portion of the City's net position (18.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$13,893,378 may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased the City's net position by \$454,227. Key elements of this increase are as follows:

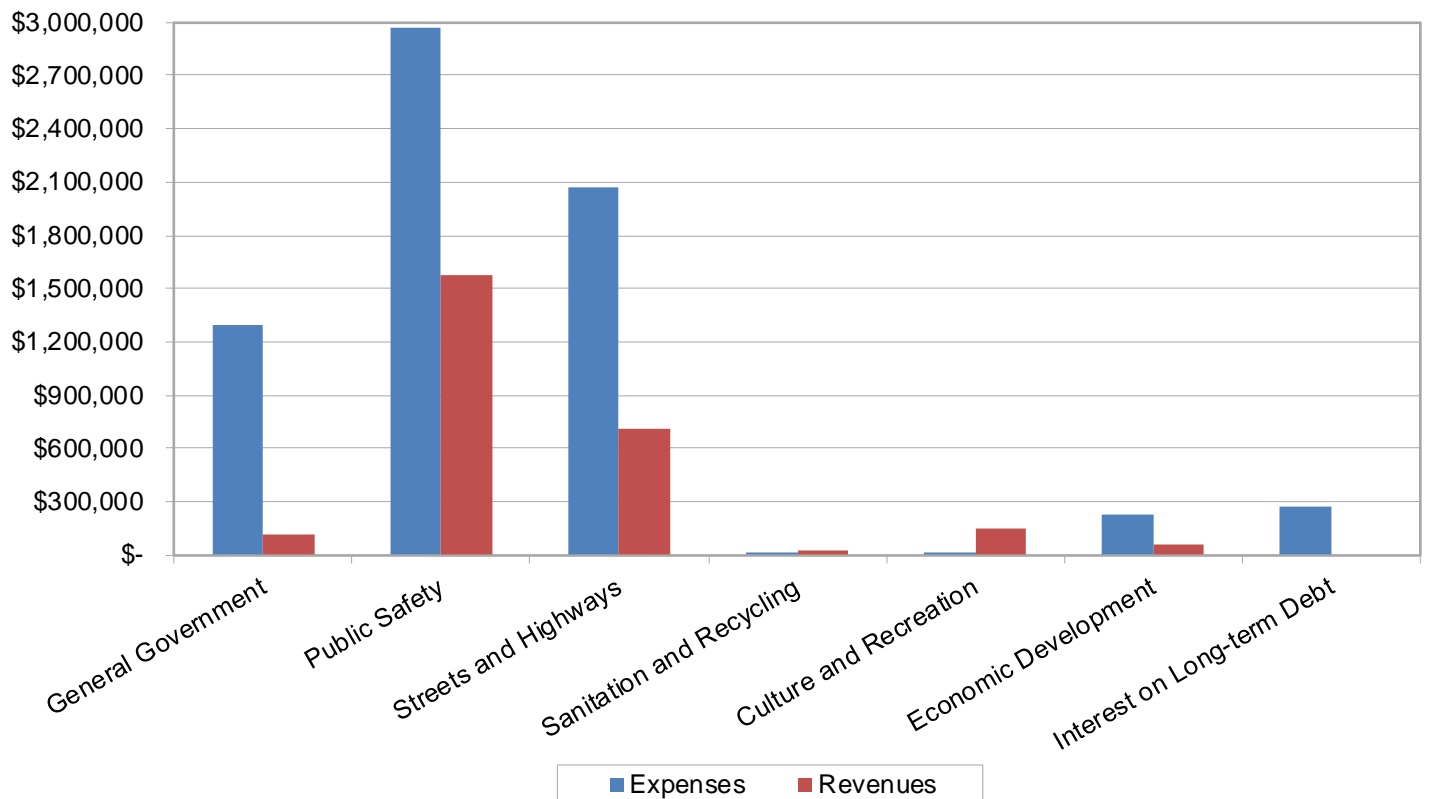
City of Medina's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,071,894	\$ 1,254,827	\$ (182,933)	\$ 2,504,173	\$ 2,103,976	\$ 400,197
Operating grants and contributions	831,400	420,950	410,450	68,591	439	68,152
Capital grants and contributions	728,360	2,809,171	(2,080,811)	376,227	1,259,302	(883,075)
General Revenues						
Property taxes	4,406,347	4,063,049	343,298	-	-	-
Tax increments	523,716	491,715	32,001	-	-	-
Franchise taxes	60,506	61,648	(1,142)	-	-	-
Grants and contributions not restricted to specific programs	34,571	31,331	3,240	-	-	-
Unrestricted investment earnings	320,427	431,793	(111,366)	113,828	143,725	(29,897)
Gain on sale of capital assets	111,439	35,880	75,559	-	-	-
Total Revenues	<u>8,088,660</u>	<u>9,600,364</u>	<u>(1,511,704)</u>	<u>3,062,819</u>	<u>3,507,442</u>	<u>(444,623)</u>
Expenses						
General government	1,298,834	1,319,665	(20,831)	-	-	-
Public safety	2,973,551	2,755,337	218,214	-	-	-
Streets and highways	2,076,050	1,803,752	272,298	-	-	-
Sanitation and recycling	13,470	15,311	(1,841)	-	-	-
Culture and recreation	17,837	471,625	(453,788)	-	-	-
Economic development	226,789	203,234	23,555	-	-	-
Interest on long-term debt	272,200	211,132	61,068	-	-	-
Water	-	-	-	834,465	840,718	(6,253)
Sewer	-	-	-	657,385	691,716	(34,331)
Storm water	-	-	-	203,674	194,506	9,168
Total Expenses	<u>6,878,731</u>	<u>6,780,056</u>	<u>98,675</u>	<u>1,695,524</u>	<u>1,726,940</u>	<u>(31,416)</u>
Change in Net Position Before Transfers	1,209,929	2,820,308	(1,610,379)	1,367,295	1,780,502	(413,207)
Transfers - Capital Assets	(715,724)	(22,321)	(693,403)	715,724	22,321	693,403
Transfers	(39,978)	(52,173)	12,195	39,978	52,173	(12,195)
Change in Net Position	454,227	2,745,814	(2,291,587)	2,122,997	1,854,996	268,001
Net Position, January 1	<u>29,029,910</u>	<u>26,284,096</u>	<u>2,745,814</u>	<u>16,388,226</u>	<u>14,533,230</u>	<u>1,854,996</u>
Net Position, December 31	<u>\$ 29,484,137</u>	<u>\$ 29,029,910</u>	<u>\$ 454,227</u>	<u>\$ 18,511,223</u>	<u>\$ 16,388,226</u>	<u>\$ 2,122,997</u>

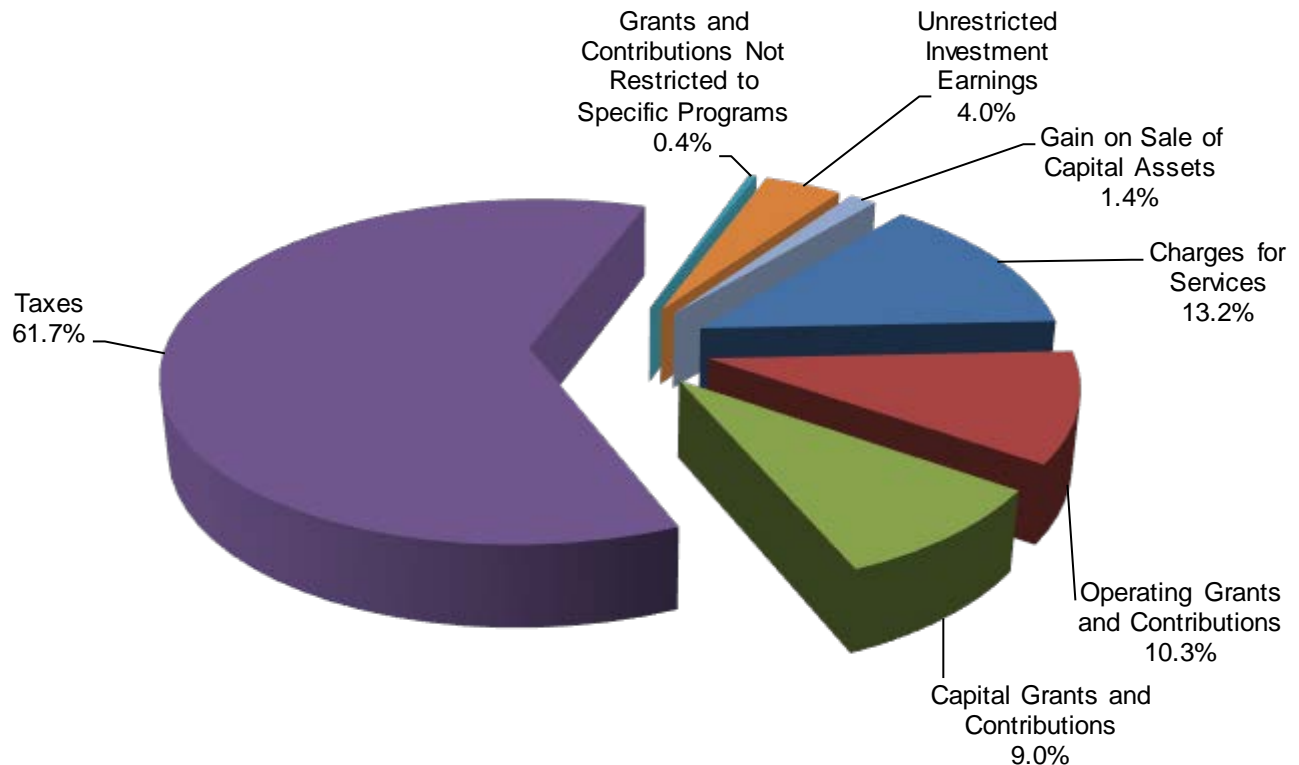
Capital contributions decreased \$2,080,811 mainly due to contributions from developers decreasing from the prior year. Operating grants and contributions increased \$410,450 mainly due to CARES funding received during the current audit year. Property taxes represent 54.5 percent of total revenues in 2020 in governmental activities.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenue - Governmental Activities



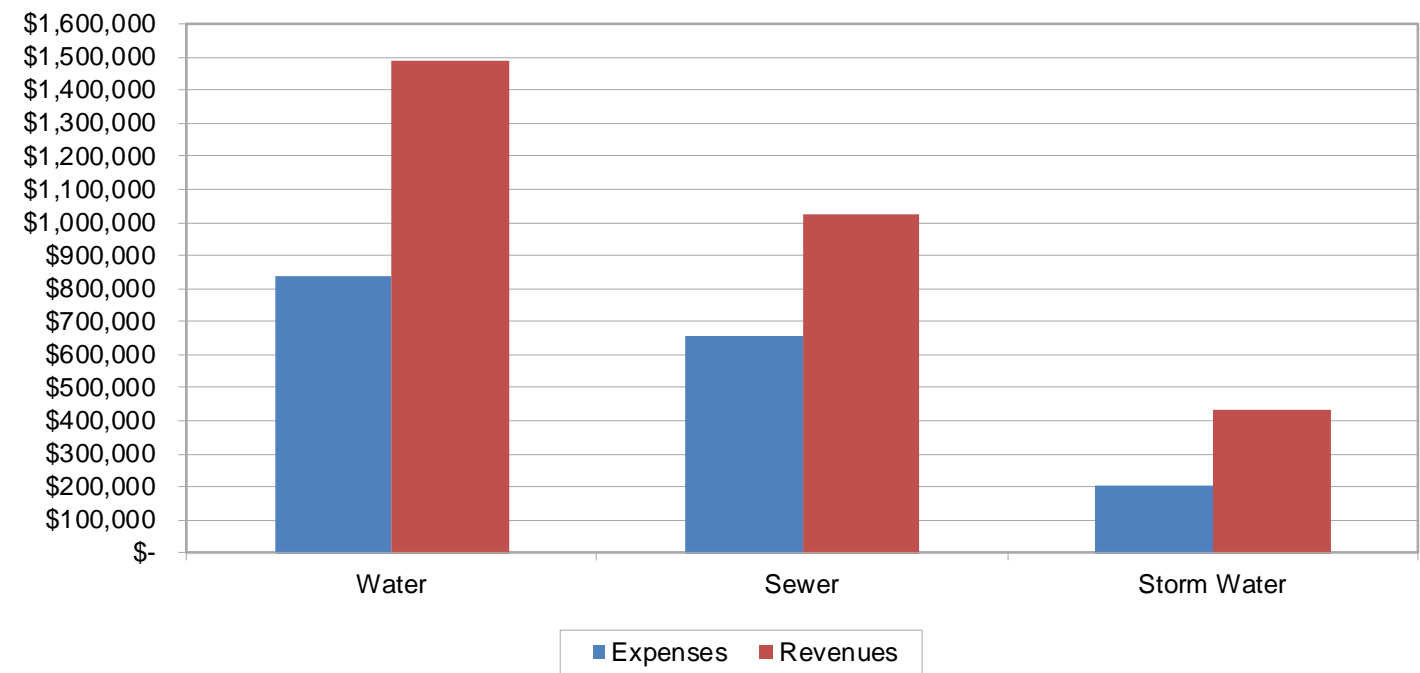
Revenue by Source - Governmental Activities



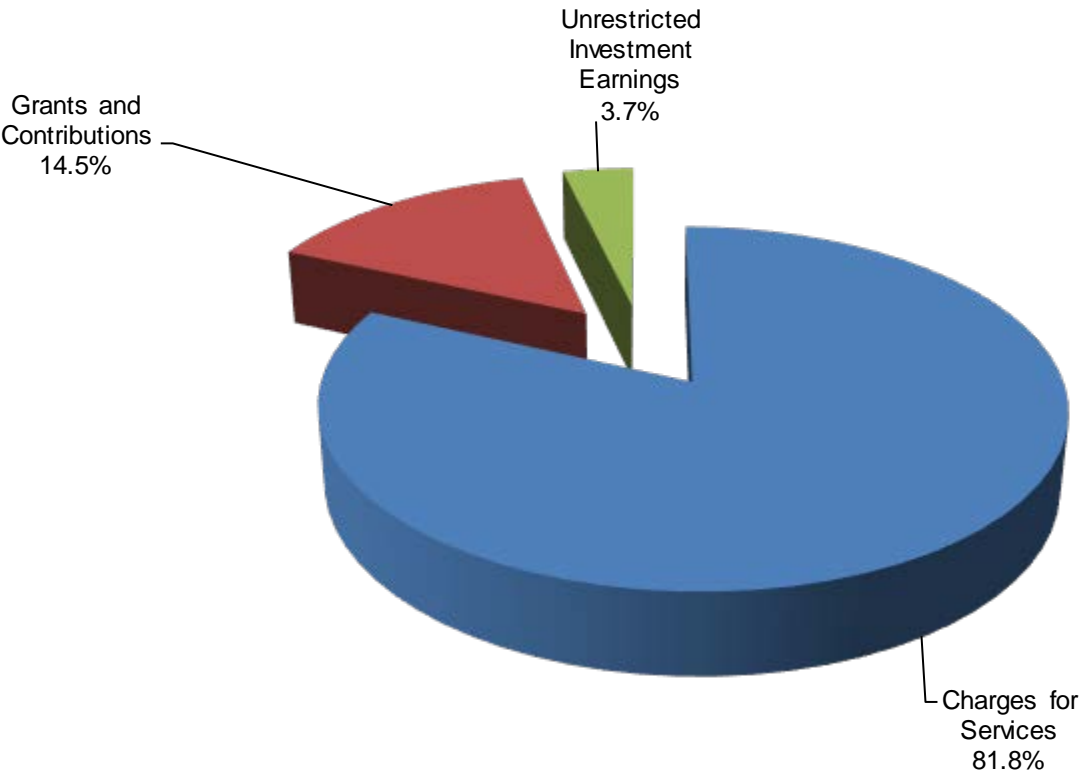
Business-type Activities. Business-type activities increased the City's net position by \$2,122,997. The increase from prior year is mainly due charges for services in excess of expenditures during the current year.

The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

Expenses and Program - Revenue Business-type Activities Graph



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2020	2019	

General	\$ 3,506,932	\$ 3,126,401	\$ 380,531
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The fund balance of the General fund increased by \$380,531 as a result positive budget variance of \$535,866 in

Debt Service	\$ 6,144,522	\$ 1,589,730	\$ 4,554,792
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The Debt Service fund balance increased \$4,554,792 mainly due to the issuance of refunding bonds during the current year of \$5,720,000. The payoff date of the refunded bonds is February 1, 2021.

Sewer Capital Improvements	\$ 3,235,754	\$ 3,122,661	\$ 113,093
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The Sewer Capital Improvement fund balance increased \$113,093 mainly due to an increase in interest revenue from investments and special assessment revenue received in the current year.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,632,839. The total increase in net position for the funds was \$2,122,997. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and the budget called for no change in fund balance. Revenues exceeded the budget by \$871,583, primarily intergovernmental (CARES Act local aid) and licenses and permits exceeding the budget by \$535,866 and \$208,686, respectively. Expenditures were over budget by \$491,052 during the year. The budget variance can be attributed mainly to public safety (COVID-19) and capital outlay (Arrowhead Rail Trail Crossing) of \$347,055, and \$376,815, respectively.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2020, amounts to \$25,329,194 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads.

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

- Brockton Lane Street and Utility Improvements
- Arrowhead Rail Trail Crossing
- Woods Medina Watermain and Sewer lines
- Police Vehicles, Ditch Mower, Backhoe, Bobcat, Air Compressor

Additional information on the City's capital assets can be found in Note 3B starting on page 59 of this report.

City of Medina's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 813,779	\$ 813,779	\$ -	\$ 138,393	\$ 56,393	\$ 82,000
Infrastructure	13,901,216	13,457,735	443,481	6,380,413	5,627,071	753,342
Buildings	6,829,439	7,503,802	(674,363)	4,586,096	4,793,191	(207,095)
Improvements	1,872,475	1,963,600	(91,125)	1,112,372	1,139,591	(27,219)
Machinery and Equipment	1,287,397	1,132,698	154,699	883,302	950,963	(67,661)
Construction in Progress	1,362,454	1,402,749	(40,295)	391,385	26,306	365,079
Total	<u>\$ 26,066,760</u>	<u>\$ 26,274,363</u>	<u>\$ (207,603)</u>	<u>\$ 13,491,961</u>	<u>\$ 12,593,515</u>	<u>\$ 898,446</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,810,000.

City of Medina's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
General Obligation						
Improvement Bonds	\$ 13,245,000	\$ 9,705,000	\$ 3,540,000	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	-	175,000	(175,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	600,000	1,170,000	(570,000)
Unamortized Premium on Bonds	370,950	129,522	241,428	13,577	20,833	(7,256)
Total	<u>\$ 13,615,950</u>	<u>\$ 10,009,522</u>	<u>\$ 3,606,428</u>	<u>\$ 613,577</u>	<u>\$ 1,190,833</u>	<u>\$ (577,256)</u>

The City's total debt increased \$3,029,172 (27.0 percent) during the current fiscal year mainly due to regularly schedule principal payments. Additional information on the City's long-term debt can be found in Note 3D starting on page 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 4.1 percent (Feb 2021). This compares favorably to the State of Minnesota's average unemployment rate of 4.3 percent and the national average rate of 6.0 percent.
- Property valuations increased 4.3 percent within the City from 2020 to 2021.

The City's total property tax levy will increase in 2021 by 5.2 percent. The General fund levy increase amounts to 8.7% and the debt service levies decreasing a total of 7.0%. The City's tax capacity rate remained at 22.49% for 2021.

A water rate increase of 1.0 percent was approved for the three individual water systems for 2021. Sanitary sewer a 1% increase and storm water utility rates also increased 3.0 percent.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Medina, 2052 County Road 24, Medina, MN 55340-9790.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Medina, Minnesota

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 19,722,535	\$ 5,641,185	\$ 25,363,720
Receivables			
Accounts	124,234	135,590	259,824
Taxes	115,511	-	115,511
Special assessments	1,569,242	50,479	1,619,721
Due from other governments	60,082	105,648	165,730
Prepaid items	47,461	34,912	82,373
Capital assets			
Nondepreciable	2,176,233	529,778	2,706,011
Depreciable, net of accumulated depreciation	23,890,527	12,962,183	36,852,710
Total Assets	<u>47,705,825</u>	<u>19,459,775</u>	<u>67,165,600</u>
Deferred Outflows of Resources			
Deferred pension resources	710,548	14,739	725,287
Deferred other postemployment benefits	18,323	2,706	21,029
Total Deferred Outflows of Resources	<u>728,871</u>	<u>17,445</u>	<u>746,316</u>
Liabilities			
Accounts payable	168,801	48,092	216,893
Due to other governments	11,098	2,024	13,122
Salaries payable	56,348	9,433	65,781
Accrued interest payable	77,491	4,578	82,069
Deposits payable	1,587,483	-	1,587,483
Unearned revenue	121,799	-	121,799
Noncurrent liabilities			
Due within one year			
Long-term debt	677,793	201,672	879,465
Due in more than one year			
Long-term debt	13,302,215	476,600	13,778,815
Net pension liability	1,871,584	193,369	2,064,953
Other postemployment benefits liability	124,498	17,413	141,911
Total Liabilities	<u>17,999,110</u>	<u>953,181</u>	<u>18,952,291</u>
Deferred Inflows of Resources			
Deferred pension resources	955,562	13,423	968,985
Deferred other post employment benefits	(4,113)	(607)	(4,720)
Total Deferred Inflows of Resources	<u>951,449</u>	<u>12,816</u>	<u>964,265</u>
Net Position			
Net investment in capital assets	12,450,810	12,878,384	25,329,194
Restricted for			
Debt service	7,318,108	-	7,318,108
Park improvements	1,267,034	-	1,267,034
Police expenditures	187,646	-	187,646
Unrestricted	8,260,539	5,632,839	13,893,378
Total Net Position	<u>\$ 29,484,137</u>	<u>\$ 18,511,223</u>	<u>\$ 47,995,360</u>

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

City of Medina, Minnesota
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,298,834	\$ 106,710	\$ 11,941	\$ 439
Public safety	2,973,551	867,339	710,298	-
Streets and highways	2,076,050	9,115	15,286	685,033
Sanitation and recycling	13,470	-	24,214	-
Culture and recreation	17,837	31,850	69,661	42,888
Economic development	226,789	56,880	-	-
Interest on long-term debt	272,200	-	-	-
Total Governmental Activities	<u>6,878,731</u>	<u>1,071,894</u>	<u>831,400</u>	<u>728,360</u>
Business-type Activities				
Water	834,465	1,326,177	63,380	100,932
Sewer	657,385	906,316	5,116	114,318
Storm water	203,674	271,680	95	160,977
Total Business-type Activities	<u>1,695,524</u>	<u>2,504,173</u>	<u>68,591</u>	<u>376,227</u>
Total	<u>\$ 8,574,255</u>	<u>\$ 3,576,067</u>	<u>\$ 899,991</u>	<u>\$ 1,104,587</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - January 1

Net Position, December 31

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,179,744)	\$ -	\$ (1,179,744)
(1,395,914)	-	(1,395,914)
(1,366,616)	-	(1,366,616)
10,744	-	10,744
126,562	-	126,562
(169,909)	-	(169,909)
(272,200)	-	(272,200)
<u>(4,247,077)</u>	<u>-</u>	<u>(4,247,077)</u>
-	656,024	656,024
-	368,365	368,365
-	229,078	229,078
<u>-</u>	<u>1,253,467</u>	<u>1,253,467</u>
<u>(4,247,077)</u>	<u>1,253,467</u>	<u>(2,993,610)</u>
3,874,700	-	3,874,700
531,647	-	531,647
523,716	-	523,716
60,506	-	60,506
34,571	-	34,571
320,427	113,828	434,255
111,439	-	111,439
(715,724)	715,724	-
(39,978)	39,978	-
<u>4,701,304</u>	<u>869,530</u>	<u>5,570,834</u>
454,227	2,122,997	2,577,224
<u>29,029,910</u>	<u>16,388,226</u>	<u>45,418,136</u>
<u>\$ 29,484,137</u>	<u>\$ 18,511,223</u>	<u>\$ 47,995,360</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Medina, Minnesota
Balance Sheet
Governmental Funds
December 31, 2020

	101		403		
	General	Debt Service	Sewer Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 5,229,022	\$ 6,273,656	\$ 2,978,346	\$ 5,241,511	\$ 19,722,535
Receivables					
Accounts	3,860	-	8,027	112,347	124,234
Taxes	99,575	15,061	-	875	115,511
Special assessments	44,447	1,236,016	-	288,779	1,569,242
Due from other governments	41,587	10,866	-	7,629	60,082
Due from other funds	-	-	257,408	-	257,408
Prepaid items	47,236	-	-	225	47,461
Total Assets	\$ 5,465,727	\$ 7,535,599	\$ 3,243,781	\$ 5,651,366	\$ 21,896,473
Liabilities					
Accounts payable	\$ 159,887	\$ -	\$ -	\$ 8,914	\$ 168,801
Due to other funds	-	140,000	-	117,408	257,408
Due to other governments	9,630	-	-	1,468	11,098
Salaries payable	56,348	-	-	-	56,348
Deposits payable	1,587,483	-	-	-	1,587,483
Unearned revenue	1,425	-	8,027	112,347	121,799
Total Liabilities	1,814,773	140,000	8,027	240,137	2,202,937
Deferred Inflows of Resources					
Unavailable revenue - taxes	99,575	15,061	-	875	115,511
Unavailable revenue - assessments	44,447	1,236,016	-	288,779	1,569,242
Total Deferred Inflows of Resources	144,022	1,251,077	-	289,654	1,684,753
Fund Balances					
Nonspendable	47,236	-	-	225	47,461
Restricted	-	6,144,522	-	1,454,680	7,599,202
Committed	-	-	-	1,634,125	1,634,125
Assigned	84,465	-	3,235,754	2,097,752	5,417,971
Unassigned	3,375,231	-	-	(65,207)	3,310,024
Total Fund Balances	3,506,932	6,144,522	3,235,754	5,121,575	18,008,783
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,465,727	\$ 7,535,599	\$ 3,243,781	\$ 5,651,366	\$ 21,896,473

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

City of Medina, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2020

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

Total Fund Balances - Governmental Funds	\$ 18,008,783
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	38,162,709
Less accumulated depreciation	(12,095,949)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(13,245,000)
Plus premium on bonds	(370,950)
Compensated absences payable	(364,058)
Other postemployment benefits payable	(124,498)
Net pension liability	(1,871,584)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	115,511
Special assessments receivable	1,569,242
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	710,548
Deferred inflows of pension resources	(955,562)
Deferred outflows of other postemployment benefits resources	4,113
Deferred inflows of other postemployment benefits resources	18,323
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(77,491)</u>
Total Net Position - Governmental Activities	<u><u>\$ 29,484,137</u></u>

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

City of Medina, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	101		403	Other	Total
	General	Debt Service	Sewer Capital Improvements	Governmental Funds	Governmental Funds
Revenues					
Taxes	\$ 3,435,852	\$ 531,647	\$ -	\$ 1,006,159	\$ 4,973,658
Licenses and permits	492,055	-	-	-	492,055
Intergovernmental	824,639	-	-	1,600	826,239
Charges for services	324,611	-	41,939	397,763	764,313
Fines and forfeitures	77,158	-	-	14,487	91,645
Special assessments	439	327,242	-	166,823	494,504
Interest on investments	93,011	31,050	71,262	125,104	320,427
Miscellaneous	210,158	-	-	73,043	283,201
Total Revenues	<u>5,457,923</u>	<u>889,939</u>	<u>113,201</u>	<u>1,784,979</u>	<u>8,246,042</u>
Expenditures					
Current					
General government	1,205,045	-	-	-	1,205,045
Public safety	2,853,240	-	-	1,404	2,854,644
Streets and highways	640,117	-	-	-	640,117
Sanitation and recycling	13,800	-	-	-	13,800
Culture and recreation	205,159	-	-	46,961	252,120
Capital outlay					
General government	-	-	-	62,798	62,798
Public safety	-	-	-	184,107	184,107
Streets and highways	376,815	-	108	1,190,775	1,567,698
Culture and recreation	-	-	-	91,719	91,719
Economic development	-	-	-	214,525	214,525
Debt service					
Principal	-	2,355,000	-	-	2,355,000
Interest and other charges	-	325,882	-	-	325,882
Total Expenditures	<u>5,294,176</u>	<u>2,680,882</u>	<u>108</u>	<u>1,792,289</u>	<u>9,767,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>163,747</u>	<u>(1,790,943)</u>	<u>113,093</u>	<u>(7,310)</u>	<u>(1,521,413)</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	19,556	19,556
Transfers in	220,784	351,666	-	11,389	583,839
Bonds issued	-	5,720,000	-	-	5,720,000
Premium on bonds issued	-	281,458	-	-	281,458
Transfers out	(4,000)	(7,389)	-	(612,428)	(623,817)
Total Other Financing Sources (Uses)	<u>216,784</u>	<u>6,345,735</u>	<u>-</u>	<u>(581,483)</u>	<u>5,981,036</u>
Net Change in Fund Balances	380,531	4,554,792	113,093	(588,793)	4,459,623
Fund Balances, January 1	<u>3,126,401</u>	<u>1,589,730</u>	<u>3,122,661</u>	<u>5,710,368</u>	<u>13,549,160</u>
Fund Balances, December 31	<u>\$ 3,506,932</u>	<u>\$ 6,144,522</u>	<u>\$ 3,235,754</u>	<u>\$ 5,121,575</u>	<u>\$ 18,008,783</u>

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

City of Medina, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$ 4,459,623
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,729,619
Depreciation expense	(1,313,380)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.	
Book value of disposed assets	(5,917)
A gain or loss on the trade-in of capital assets, including the difference between carrying value and any related sales proceeds, is included in net position. However, only the sales proceeds are included in the change in the change in fund balance.	97,800
Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.	(715,724)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds issued	(5,720,000)
Premium on bonds issued	(281,458)
Amortization of bond premium	40,030
Principal repayments	2,355,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	13,652
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	16,911
Special assessments	(303,232)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefits costs	(11,807)
Compensated absences	(4,702)
Long-term pension activity is not reported in governmental funds.	
Pension expense	80,312
Pension revenue	17,500
Change in Net Position - Governmental Activities	<u>\$ 454,227</u>

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

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City of Medina, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,509,452	\$ 3,509,452	\$ 3,435,852	\$ (73,600)
Licenses and permits	283,369	283,369	492,055	208,686
Intergovernmental	288,773	288,773	824,639	535,866
Charges for services	245,387	245,387	324,611	79,224
Fines and forfeitures	95,000	95,000	77,158	(17,842)
Special assessments	-	-	439	439
Interest on investments	30,000	30,000	93,011	63,011
Miscellaneous	134,359	134,359	210,158	75,799
Total Revenues	<u>4,586,340</u>	<u>4,586,340</u>	<u>5,457,923</u>	<u>871,583</u>
Expenditures				
Current				
General government	1,227,476	1,227,476	1,205,045	22,431
Public safety				
Police	1,756,410	1,756,410	1,974,821	(218,411)
Building inspection	330,664	330,664	425,195	(94,531)
Fire	419,111	419,111	453,224	(34,113)
Streets and highways	751,401	751,401	640,117	111,284
Sanitation and recycling	26,001	26,001	13,800	12,201
Culture and recreation	235,181	235,181	205,159	30,022
Economic development	56,880	56,880	-	56,880
Capital outlay	-	-	376,815	(376,815)
Total Expenditures	<u>4,803,124</u>	<u>4,803,124</u>	<u>5,294,176</u>	<u>(491,052)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(216,784)</u>	<u>(216,784)</u>	<u>163,747</u>	<u>380,531</u>
Other Financing Sources (Uses)				
Transfers in	220,784	220,784	220,784	-
Transfers out	(4,000)	(4,000)	(4,000)	-
Total Other Financing Sources (Uses)	<u>216,784</u>	<u>216,784</u>	<u>216,784</u>	<u>-</u>
Net Change in Fund Balances	-	-	380,531	380,531
Fund Balances, January 1	<u>3,126,401</u>	<u>3,126,401</u>	<u>3,126,401</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,126,401</u>	<u>\$ 3,126,401</u>	<u>\$ 3,506,932</u>	<u>\$ 380,531</u>

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

City of Medina, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise funds			
	601	602	603	
	Water	Sewer	Storm Water	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 3,272,300	\$ 2,023,594	\$ 345,291	\$ 5,641,185
Receivables				
Accounts	51,153	75,407	9,030	135,590
Special assessments	21,287	25,179	4,013	50,479
Due from other governments	4,340	-	101,308	105,648
Prepaid items	741	34,171	-	34,912
Total Current Assets	3,349,821	2,158,351	459,642	5,967,814
Noncurrent Assets				
Capital assets				
Land	7,393	49,000	82,000	138,393
Infrastructure	6,668,066	2,973,282	219,262	9,860,610
Buildings	8,216,454	192,000	-	8,408,454
Improvements	330,082	-	1,133,263	1,463,345
Machinery and equipment	1,164,212	2,921,472	44,174	4,129,858
Construction in progress	162,372	59,920	169,093	391,385
Less accumulated depreciation	(7,197,199)	(3,341,315)	(361,570)	(10,900,084)
Total Noncurrent Assets	9,351,380	2,854,359	1,286,222	13,491,961
Total Assets	12,701,201	5,012,710	1,745,864	19,459,775
Deferred Outflows of Resources				
Deferred pension resources	6,285	5,737	2,717	14,739
Deferred other postemployment benefits	1,148	1,027	531	2,706
Total Deferred Outflows of Resources	7,433	6,764	3,248	17,445

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

City of Medina, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise funds			
	601	602	603	
	Water	Sewer	Storm Water	Totals
Liabilities				
Current Liabilities				
Accounts payable	\$ 41,387	\$ 5,451	\$ 1,254	\$ 48,092
Accrued interest payable	4,578	-	-	4,578
Salaries payable	4,079	3,794	1,560	9,433
Due to other governments	999	1,025	-	2,024
Compensated absences payable - current	2,888	2,635	1,149	6,672
Bonds payable - current	195,000	-	-	195,000
Total Current Liabilities	<u>248,931</u>	<u>12,905</u>	<u>3,963</u>	<u>265,799</u>
Noncurrent Liabilities				
Other postemployment benefits payable	7,389	6,610	3,414	17,413
Compensated absences payable	24,165	22,641	11,217	58,023
Net pension liability	82,456	75,269	35,644	193,369
Bonds payable	418,577	-	-	418,577
Total Noncurrent Liabilities	<u>532,587</u>	<u>104,520</u>	<u>50,275</u>	<u>687,382</u>
Total Liabilities	<u>781,518</u>	<u>117,425</u>	<u>54,238</u>	<u>953,181</u>
Deferred Inflows of Resources				
Deferred pension resources	5,724	5,225	2,474	13,423
Deferred other post employment benefits	(258)	(231)	(118)	(607)
Total Deferred Inflows of Resources	<u>5,466</u>	<u>4,994</u>	<u>2,356</u>	<u>12,816</u>
Net Position				
Net investment in capital assets	8,737,803	2,854,359	1,286,222	12,878,384
Unrestricted	<u>3,183,847</u>	<u>2,042,696</u>	<u>406,296</u>	<u>5,632,839</u>
Total Net Position	<u>\$ 11,921,650</u>	<u>\$ 4,897,055</u>	<u>\$ 1,692,518</u>	<u>\$ 18,511,223</u>

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

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City of Medina, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	603 Storm Water	Totals
Operating Revenues				
Charges for services	\$ 1,326,177	\$ 906,316	\$ 271,680	\$ 2,504,173
Operating Expenses				
Wages and salaries	137,062	132,081	63,173	332,316
Materials and supplies	103,472	4,807	793	109,072
Professional services	65,331	54,597	96,633	216,561
Repairs and maintenance	(6,201)	(3,807)	(24,167)	(34,175)
Insurance	8,287	4,233	593	13,113
Utilities	157,693	13,084	-	170,777
Depreciation	363,846	108,889	66,649	539,384
Sewer treatment charges	-	343,501	-	343,501
Total Operating Expenses	829,490	657,385	203,674	1,690,549
Operating Income	496,687	248,931	68,006	813,624
Nonoperating Revenues (Expenses)				
Interest on investments	59,884	45,178	8,766	113,828
Miscellaneous income	63,380	5,116	95	68,591
Interest and service charges	(4,975)	-	-	(4,975)
Total Nonoperating Revenues (Expenses)	118,289	50,294	8,861	177,444
Income Before Contributions and Transfers	614,976	299,225	76,867	991,068
Capital Contributions from Other Funds	463,406	80,867	171,451	715,724
Capital Contributions	100,932	114,318	160,977	376,227
Transfers In	356,028	-	-	356,028
Transfers Out	(125,758)	(130,357)	(59,935)	(316,050)
Change in Net Position	1,409,584	364,053	349,360	2,122,997
Net Position - January 1	10,512,066	4,533,002	1,343,158	16,388,226
Net Position, December 31	\$ 11,921,650	\$ 4,897,055	\$ 1,692,518	\$ 18,511,223

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

City of Medina, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	603 Storm Water	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 1,386,227	\$ 905,057	\$ 268,801	\$ 2,560,085
Payments to suppliers	(311,879)	(416,729)	(73,110)	(801,718)
Payments to employees	(144,609)	(132,462)	(63,643)	(340,714)
Net Cash Provided (Used) by Operating Activities	929,739	355,866	132,048	1,417,653
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	356,028	-	-	356,028
Transfers to other funds	(125,758)	(130,357)	(59,935)	(316,050)
Net Cash Provided (Used) by Noncapital Financing Activities	230,270	(130,357)	(59,935)	39,978
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(162,370)	(59,181)	(293,110)	(514,661)
Connection fees	7,805	-	-	7,805
Intergovernmental	-	-	60,001	60,001
Principal paid on bonds	(570,000)	-	-	(570,000)
Interest paid on bonds	(16,190)	-	-	(16,190)
Net Cash Provided (Used) by Capital and Related Financing Activities	(740,755)	(59,181)	(233,109)	(1,033,045)
Cash Flows from Investing Activities				
Interest received on investments	59,886	45,178	8,766	113,830
Net Increase (Decrease) in Cash and Cash Equivalents	479,140	211,506	(152,230)	538,416
Cash and Cash Equivalents, January 1	2,793,160	1,812,088	497,521	5,102,769
Cash and Cash Equivalents, December 31	<u>\$ 3,272,300</u>	<u>\$ 2,023,594</u>	<u>\$ 345,291</u>	<u>\$ 5,641,185</u>

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

City of Medina, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	603 Storm Water	Totals
Reconciliation of Operating Income to Net				
Cash Provided (Used) by Operating Activities				
Operating income	\$ 496,687	\$ 248,931	\$ 68,006	\$ 813,624
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	63,380	5,116	95	68,591
Depreciation	363,846	108,889	66,649	539,384
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(139)	129	(2,150)	(2,160)
Due from other governments	3,292	3,871	18	7,181
Special assessments receivable	(6,483)	(10,375)	(842)	(17,700)
Prepaid items	1,133	(2,105)	338	(634)
Pension resources	2,156	1,472	715	4,343
Other postemployment benefits	(327)	(366)	(206)	(899)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	19,474	2,070	610	22,154
Due to other governments	(3,577)	87	-	(3,490)
Salaries payable	1,443	1,401	587	3,431
Compensated absences payable	2,963	2,709	1,189	6,861
Net pension liability	(475)	4,446	1,923	5,894
Pension resources	(14,101)	(11,706)	(5,587)	(31,394)
Other postemployment benefits payable	467	1,297	703	2,467
Net Cash Provided (Used) by Operating Activities	<u>\$ 929,739</u>	<u>\$ 355,866</u>	<u>\$ 132,048</u>	<u>\$ 1,417,653</u>
Schedule of Noncash				
Capital Financing Activities				
Contribution of assets from developers	<u>\$ 93,127</u>	<u>\$ 114,318</u>	<u>\$ -</u>	<u>\$ 207,445</u>
Contribution of assets from other funds	<u>\$ 463,406</u>	<u>\$ 80,867</u>	<u>\$ 171,451</u>	<u>\$ 715,724</u>
Capital grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,976</u>	<u>\$ 100,976</u>
Amortization of bond premium	<u>\$ 7,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,256</u>

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

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City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Medina, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The 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 City. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. The City has the following component unit:

Blended Component Unit. The Medina Economic Development Authority (MEDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of five members, all of which are City Council members, and has a December 31 year end. The EDA activities are blended and reported in a Capital Project fund (Tax Increment 1-9) due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements are not issued for this component unit.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

The *Sewer Capital Improvements fund* accounts for the costs associated with replacement of the City's utility and road systems.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system, which are financed by the water utility fee, and insure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the activities of the City's wastewater collection operations which are financed by the sanitary sewer utility fee, and insure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the activities of the City's storm water collection operations which are financed by the storm sewer utility fee, and insure that user charges are sufficient to pay for those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

- U.S. Government Agency securities of \$1,498,530 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$10,316,909 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At December 31, 2020, the City had no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments. The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year. As a result, there has been no allowance for doubtful accounts established for the enterprise funds.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. Assessments were also completed for unreimbursed costs and uncollected City charges for services. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition on infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all assets accounted for prospectively from the phase 3 GASB 34 implementation date. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at acquisition value at the time of donation.

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

Assets	Useful Lives in Years
Buildings	20 to 40
Land Improvements	20
Building Improvements	20
Furniture and Equipment	5 to 10
Light Vehicles	3 to 5
Machinery and Equipment	5 to 10
Heavy Trucks	7 to 10
Infrastructure	25 to 40

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

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

Compensated Absences

The City compensates employees who resign or retire in good standing for all unused vacation. Sick leave may be accumulated and banked to a maximum of 960 hours for full-time and regular part-time employees. For sick leave accumulated in excess of 960 hours, the employee may bank the hours in an account established by the City for retirement health insurance premiums. An employee who leaves employment voluntarily, with four or more years of service with the City and gives a 14 calendar day notice of termination of employment will be paid at the base rate of pay, one-third of accumulated sick leave hours. Any sick leave banked in excess of 960 hours will be forfeited. Two options are available in regards to accrued sick leave for an employee who voluntarily leaves after 20 or more years of service with the City. After giving at least a 14 day notice of termination of employment an employee may receive payment for one-half of all accrued sick leave at the employee's base rate of pay at the time of termination including sick leave banked in excess of 960 hours. A second option allows the employee to give the City at least 14 days' notice of termination of employment; which then allows the employee to place any accrued sick leave into the retirement health insurance account including sick leave banked in excess of 960 hours converted to a monetary value by using the employees base rate of pay for that year.

Compensation time is also paid out upon termination. All hourly employees can earn compensation time for every hour of overtime they work. Each hour of overtime is accrued into 1.5 hours of compensation time. Also, a police employee who works any of the 11 holidays can accrue at a rate of 1.5 compensation hours per hour worked and be paid out for accruals over 80 hours. Vacation, sick, and compensation time pay are considered expenditures in the year paid in the governmental fund statements. This differs from the proprietary and government-wide statements where vacation, sick, and compensation pay are expensed when earned. The General fund is typically used to liquidate governmental compensated absences.

Postemployment Benefits Other Than Pensions

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

Long-term Obligations

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

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

For purposes of measuring the net pension liability, 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. The General fund is typically used to liquidate the governmental net pension liability.

General Employees Fund	\$ 30,073
Police and Fire Fund	<u>120,761</u>
Total	<u><u>\$ 150,834</u></u>

Deferred Inflows of Resources

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

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

Net Position

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain an unrestricted fund balance in the General fund of the greater of (1) 50 percent of the next year's General fund property tax levy, or (2) a minimum of five months of the next year's budgeted expenditures of the General fund.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

In July of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the City Council. There were no budget amendments during the year.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	<u>\$ 4,803,124</u>	<u>\$ 5,294,176</u>	<u>\$ 491,052</u>

The excess expenditures were funded with greater than anticipated revenues.

C. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2020:

<u>Fund</u>	<u>Amount</u>
Nonmajor Tax increment 1-9	\$ 65,207

The City plans to fund these deficits with future revenues including tax increments and other revenues.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2020 the City's carrying amount of deposits was \$797,035 and the bank balance was \$913,064. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by the City's agent in the City's name.

Investments

As of December 31, 2020, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments						
Broker money market	N/A	less than 1 year	\$ 783,193	\$ -	\$ -	\$ -
4M Money Market Fund	N/A	less than 1 year	9,113,646	-	-	-
Mutual Fund	N/A	less than 1 year	2,854,107	-	-	-
Non-pooled Investments						
U.S. Government Agencies	AAA	1 year to 5 years	1,000,065	1,000,065	-	-
U.S. Government Agencies	AAA	5 year to 10 years	498,465	498,465	-	-
Brokered Certificates of Deposit	N/A	less than 1 year	1,991,502	-	1,991,502	-
Brokered Certificates of Deposit	N/A	1 year to 5 years	7,827,131	-	7,827,131	-
Brokered Certificates of Deposit	N/A	5 year to 10 years	498,276	-	498,276	-
Total Investments			\$ 24,566,385	\$ 1,498,530	\$ 10,316,909	\$ -

(1) Ratings were provided by various rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

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

- *Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states the instruments that the City will invest in will be consistent with the GFOA Policy Statement on the State and Local Laws Concerning Investment Practices and Minnesota statutes 118A. It also states investments in derivatives shall not be allowed.
- *Custodial Credit Risk - Deposits:* For deposits, this is the risk that in the event of bank failure the City's deposits may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposit, in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits and Minnesota statutes 118A will be required to be fully collateralized.
- *Interest Rate Risk:* This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate rise by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio. The policy states the City will not directly invest in securities maturing more than 10 years from the date of purchase or in accordance with the state and local statutes and ordinances unless matched to a specific cash flow. The policy also states the investments will be diversified by investing in securities with varying maturities, continuously investing at least 10 percent of the portfolio in readily available funds such as LGIPs, money market funds to ensure that appropriate liquidity is maintained and never investing more than 20 percent of the portfolio in securities with final maturities greater than five years.
- *Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will limit investments to avoid over concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities and limiting investments in securities that have higher credit risks and investing in securities with varying maturities. The policy also states the City will diversify the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Cash Summary

A reconciliation of cash as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 797,035
Investments	24,566,385
Cash on Hand	<u>300</u>
Total	<u><u>\$ 25,363,720</u></u>
Cash and Temporary Investments	
Government-wide	<u><u>\$ 25,363,720</u></u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 813,779	\$ -	\$ -	\$ 813,779
Construction in progress	1,402,749	1,364,415	(1,404,710)	1,362,454
Total Capital Assets, not Being Depreciated	<u>2,216,528</u>	<u>1,364,415</u>	<u>(1,404,710)</u>	<u>2,176,233</u>
Capital Assets Being Depreciated				
Infrastructure	19,780,023	1,404,709	(715,723)	20,469,009
Buildings	9,500,690	-	-	9,500,690
Improvements	2,823,627	62,009	-	2,885,636
Machinery and equipment	2,922,422	400,995	(192,276)	3,131,141
Total Capital Assets Being Depreciated	<u>35,026,762</u>	<u>1,867,713</u>	<u>(907,999)</u>	<u>35,986,476</u>
Less Accumulated Depreciation for				
Infrastructure	(6,322,288)	(245,505)	-	(6,567,793)
Buildings	(1,996,888)	(674,363)	-	(2,671,251)
Improvements	(860,027)	(153,134)	-	(1,013,161)
Machinery and equipment	(1,789,724)	(240,378)	186,358	(1,843,744)
Total Accumulated Depreciation	<u>(10,968,927)</u>	<u>(1,313,380)</u>	<u>186,358</u>	<u>(12,095,949)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,057,835</u>	<u>554,333</u>	<u>(721,641)</u>	<u>23,890,527</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,274,363</u>	<u>\$ 1,918,748</u>	<u>\$ (2,126,351)</u>	<u>\$ 26,066,760</u>

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

Governmental Activities	
General government	\$ 27,174
Public safety	75,456
Streets and highways	1,034,175
Culture and recreation	164,213
Economic development	<u>12,362</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,313,380</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 56,393	\$ 82,000	\$ -	\$ 138,393
Construction in progress	26,306	376,987	(11,908)	391,385
Total Capital Assets not Being Depreciated	<u>82,699</u>	<u>458,987</u>	<u>(11,908)</u>	<u>529,778</u>
Capital Assets Being Depreciated				
Infrastructure	8,915,807	944,803	-	9,860,610
Buildings	8,408,454	-	-	8,408,454
Improvements	1,417,397	45,948	-	1,463,345
Machinery and equipment	4,129,858	-	-	4,129,858
Total Capital Assets Being Depreciated	<u>22,871,516</u>	<u>990,751</u>	<u>-</u>	<u>23,862,267</u>
Less Accumulated Depreciation for				
Infrastructure	(3,288,736)	(191,461)	-	(3,480,197)
Buildings	(3,615,263)	(207,095)	-	(3,822,358)
Improvements	(277,806)	(73,167)	-	(350,973)
Machinery and equipment	(3,178,895)	(67,661)	-	(3,246,556)
Total Accumulated Depreciation	<u>(10,360,700)</u>	<u>(539,384)</u>	<u>-</u>	<u>(10,900,084)</u>
Total Capital Assets Being Depreciated, Net	<u>12,510,816</u>	<u>451,367</u>	<u>-</u>	<u>12,962,183</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,593,515</u>	<u>\$ 910,354</u>	<u>\$ (11,908)</u>	<u>\$ 13,491,961</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities	
Water	\$ 363,846
Sewer	108,889
Storm Water	<u>66,649</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 539,384</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

Interfund Balances

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

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvements Fund	Debt Service	Cash flow purposes	\$ 140,000
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	117,408
Total			<u>\$ 257,408</u>

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2020 is as follows:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Water	
Transfer Out					
General	\$ -	\$ -	\$ 4,000	\$ -	\$ 4,000
Debt Service	-	-	7,389	-	7,389
Nonmajor governmental	-	256,400	-	356,028	612,428
Water	82,888	42,870	-	-	125,758
Sewer	77,961	52,396	-	-	130,357
Storm Water	59,935	-	-	-	59,935
Total	<u>\$ 220,784</u>	<u>\$ 351,666</u>	<u>\$ 11,389</u>	<u>\$ 356,028</u>	<u>\$ 939,867</u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due and 2) move General fund resources to provide an annual subsidy to the transit fund. The City made the following one-time transfers for the year ended December 31, 2020:

- The General fund made a budgeted transfer of \$4,000 to the nonmajor governmental fund.
- The Debt Service fund transferred \$7,389 to the nonmajor governmental funds to close fund 312.
- The nonmajor governmental fund transferred \$256,400 to the Debt Service fund for future debt service payments.
- The Water fund (\$82,888), Sewer fund (\$77,961) and the Storm Water fund (\$59,935) made budgeted transfers to the General fund for operating costs.
- The Water fund (\$42,870), and the Sewer fund (\$52,396) made budgeted transfers to the Debt Service funds for debt service payments for the 2012 building bonds and for recharacterized water bonds.
- The nonmajor governmental funds also transferred \$356,028 to the Water fund for capital projects.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Improvement Bonds

The City issues G.O. improvement bonds to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements, tax increment from the district and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2012A	\$ 6,100,000	1.50 - 2.75 %	11/07/12	02/01/34	\$ 5,060,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	465,000
G.O. Improvement Bonds, Series 2015A	1,765,000	2.00 - 3.00	06/24/15	02/01/31	1,280,000
G.O. Refunding Bond Series 2016A	1,220,000	2.00	08/11/16	02/01/24	720,000
G.O. Refunding Improvement Bonds, Series 2020A	980,000	1.35 - 2.00	12/10/20	02/01/31	<u>5,720,000</u>
Total General Obligation Improvement Bonds					<u><u>\$ 13,245,000</u></u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 630,000	\$ 224,879	\$ 854,879
2022	875,000	246,624	1,121,624
2023	910,000	229,840	1,139,840
2024	1,115,000	209,958	1,324,958
2025	945,000	189,011	1,134,011
2026 - 2030	5,030,000	631,850	5,661,850
2031 - 2034	<u>3,740,000</u>	<u>141,694</u>	<u>3,881,694</u>
Total	<u><u>\$ 13,245,000</u></u>	<u><u>\$ 1,873,856</u></u>	<u><u>\$ 15,118,856</u></u>

Refunding Bonds

On December 10, 2020 the City issued \$5,720,000 of G.O. Refunding Bonds, Series 2020A. The bonds bear an average coupon rate of 1.608 percent and will be used to call \$4,880,000 of the outstanding principal of the G.O. Improvement Bonds, Series 2012A on February 1, 2021, and \$1,120,000 of the outstanding principal of the G.O. Improvement Bonds, Series 2017A on December 22, 2020. As a result of the refunding issues, the City will save a combined \$512,133 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$481,059.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 50 percent of net revenues from the Water fund. For 2020, principal and interest paid and total customer net revenues for the Water fund were \$586,190 and \$1,326,177, respectively creating a pledged revenue percentage of 44.2%.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	\$ 1,520,000	1.75 - 2.00 %	04/25/13	02/01/23	<u>\$ 600,000</u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 195,000	\$ 9,038	\$ 204,038
2022	200,000	5,338	205,338
2023	205,000	1,794	206,794
Total	<u>\$ 600,000</u>	<u>\$ 16,170</u>	<u>\$ 616,170</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation					
improvement bonds	\$ 9,705,000	\$ 5,720,000	\$ (2,180,000)	\$ 13,245,000	\$ 630,000
General obligation tax					
increment bonds	175,000	-	(175,000)	-	-
Unamortized premium on bonds	129,522	281,458	(40,030)	370,950	-
Total Bonds Payable	10,009,522	6,001,458	(2,395,030)	13,615,950	630,000
Compensated Absences					
Payable	359,356	239,734	(235,032)	364,058	47,793
 Governmental Activities					
Long-term Liabilities	<u>\$ 10,368,878</u>	<u>\$ 6,241,192</u>	<u>\$ (2,630,062)</u>	<u>\$ 13,980,008</u>	<u>\$ 677,793</u>
 Business-type Activities					
Bonds Payable					
General obligations					
revenue bonds	\$ 1,170,000	\$ -	\$ (570,000)	\$ 600,000	\$ 195,000
Unamortized premium on bonds	20,833	-	(7,256)	13,577	-
Total Bonds Payable	1,190,833	-	(577,256)	613,577	195,000
Compensated Absences					
Payable	57,834	24,425	(17,564)	64,695	6,672
 Business-type Activities					
Long-term Liabilities	<u>\$ 1,248,667</u>	<u>\$ 24,425</u>	<u>\$ (594,820)</u>	<u>\$ 678,272</u>	<u>\$ 201,672</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2020, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Sewer Capital Improvements	Other Governmental Funds	Total
Nonspendable					
Prepaid items	<u>\$ 47,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225</u>	<u>\$ 47,461</u>
Restricted for					
Park improvements	\$ -	\$ -	\$ -	\$ 1,267,034	\$ 1,267,034
Debt service	-	6,144,522	-	-	6,144,522
Police expenditures	-	-	-	187,646	187,646
Total Restricted	<u>\$ -</u>	<u>\$ 6,144,522</u>	<u>\$ -</u>	<u>\$ 1,454,680</u>	<u>\$ 7,599,202</u>
Committed to					
Park improvements	\$ -	\$ -	\$ -	\$ 781,375	\$ 781,375
Police expenditures	-	-	-	66,606	66,606
Field house	-	-	-	6,178	6,178
German liberal cemetery	-	-	-	167,605	167,605
Community event	-	-	-	23,328	23,328
Cable	-	-	-	69,514	69,514
Environmental	-	-	-	519,519	519,519
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,634,125</u>	<u>\$ 1,634,125</u>
Assigned to					
Capital improvements	\$ -	\$ -	\$ 3,235,754	\$ 2,072,701	\$ 5,308,455
Future benefits	84,465	-	-	-	84,465
Equipment replacement	-	-	-	25,051	25,051
Total Assigned	<u>\$ 84,465</u>	<u>\$ -</u>	<u>\$ 3,235,754</u>	<u>\$ 2,097,752</u>	<u>\$ 5,417,971</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

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

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were \$87,115, \$90,945 and \$88,679, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 were \$162,488, \$152,505 and \$139,304, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,001,241 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$30,848. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0167 percent which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$ 1,001,241
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>30,848</u>
Total	<u><u>\$ 1,032,089</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$27,388 for its proportionate share of the General Employees Plan's pension expense. In addition, the City \$2,685 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 12,176	\$ 4,131
Changes in Actuarial Assumptions	1,454	38,940
Net Difference Between Projected and Actual Earnings on Plan Investments	13,186	-
Changes in Proportion	6,441	26,433
Contributions Paid to PERA Subsequent to the Measurement Date	43,055	-
	<u>43,055</u>	<u>-</u>
Total	<u>\$ 76,312</u>	<u>\$ 69,504</u>

The \$43,055 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (62,675)
2022	(15,256)
2023	17,494
2024	24,190

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,063,712 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0807 percent which was a decrease of 0.0031 percent from its proportionate share measured as of June 30, 2019.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

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

As a result, 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 of \$113,094 for its proportionate share of Police and Fire Plan's pension expense.

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 fire state aid. The City also recognized \$7,667 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 52,412	\$ 68,931
Changes in Actuarial Assumptions	423,943	733,381
Net Difference Between Projected and Actual Earnings on Plan Investments	36,416	-
Changes in Proportion	54,104	97,169
Contributions Paid to PERA Subsequent to the Measurement Date	82,100	-
Total	<u>\$ 648,975</u>	<u>\$ 899,481</u>

The \$82,100 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (107,545)
2022	(312,592)
2023	44,923
2024	50,577
2025	(7,969)

E. Actuarial Assumptions

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

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

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

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

Actuarial assumptions used in the June 30, 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 become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that 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

Changes in Actuarial Assumptions

- 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 employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% 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.

Changes in Plan Provisions

- 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.

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36.0 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
International Equity	17.0	5.30
Cash	<u>2.0</u>	-
Total	<u><u>100.0 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 1,604,643	\$ 1,001,241	\$ 503,484
Police and Fire Fund	2,120,132	1,063,712	189,710

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

H. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report. At December 31, 2020, 25 active plan members were covered by the benefit terms.

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2020, the City's average contribution rate was 6.15 percent of covered-employee payroll.

C. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The City's total OPEB liability of \$141,911 was measured as of December 31, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2019. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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

Discount Rate	2.12%
20-Year Municipal Bond Yield	2.12%
Inflation Rate	2.75%
Salary Increases	3.25%
Medical Trend Rate	7.50% in 2020 decreasing 0.50% per year to ultimate rate of 5.00%

The discount rate used to measure the total OPEB liability was 2.12 percent. The plan is not funded. Benefit payments are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2020 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2019	<u>\$ 123,097</u>
Changes for the Year:	
Service cost	8,001
Interest	3,581
Differences between expected and actual experience	-
Changes in assumptions or other inputs	8,005
Benefit payments	<u>(773)</u>
Net Changes	<u>18,814</u>
Balances at December 31, 2020	<u><u>\$ 141,911</u></u>

In 2020, there were no benefit changes.

E. Sensitivity of the Total OPEB Liability

The following is designed to outline the City's total OPEB liability, and what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current discount rate.

1 Percent Decrease (1.12%)	Current (2.12%)	1 Percent Increase (3.12%)
\$ 155,139	\$ 141,911	\$ 129,734

The following is also designed to outline the City's total OPEB liability, and what the OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (7.5 percent decreasing to 6.00 percent) or 1-percentage-point higher (7.5 percent increasing to 8.50 percent) than the current discount rate.

1 Percent Decrease (6% Decreasing to 4%)	Healthcare Cost Trend Rates (7.5% Decreasing to 5%)	1 Percent Increase (8.5% Decreasing to 6%)
\$ 123,139	\$ 141,911	\$ 164,182

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$12,236. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,904	\$ -
Changes in Actuarial Assumptions	14,125	(4,720)
Total	<u>\$ 21,029</u>	<u>\$ (4,720)</u>

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:	
2021	\$ 1,428
2022	1,428
2023	1,428
2024	1,428
2025	1,428
Thereafter	9,169

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. The City has no debt applicable to this limit at year end.

C. Tax Increment Districts

The City's tax increment district is 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.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 7: Jointly Governed Organizations

Pioneer - Sarah Creek Watershed Management Commission

The Cities of Independence, Loretto, Maple Plain, Medina, Minnetrista, and Greenfield, Minnesota, as equal participants, are the members of the Pioneer - Sarah Creek Watershed Management Commission (the "Commission"). The purpose of the Commission is to preserve and use natural water management programs required by Minnesota Statutes 103B.201 to 103B.251. The Commission is governed by a board comprised of one representative and one alternate of each Member City. The City remitted \$30,335 to the commission in 2020. The contribution as reported in the City's Water Resource Department fund. Complete financial statements for the Commission can be obtained at the City's Municipal Center.

Note 8: Conduit Debt Obligations

The City has issued revenue obligations to finance and refinance, in whole or in part, the cost of the acquisition, construction, reconstruction, improvement. The financing authorized the issuance of \$7,000,000. The City hereby authorizes the Note to be issued as a "tax-exempt bond" the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes. At December 31, 2019, the balance of the bond outstanding was \$5,282,796. Neither, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The City has issued revenue bonds to provide financial assistance to private-sector entities to finance multifamily housing developments. The financing authorized the issuance not to exceed \$10,000,000. The City hereby authorizes the Note to be issued as a "tax-exempt bond" the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes. At December 31, 2019, the balance of the bond outstanding was \$10,000,000. Neither, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 9: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Medina, Minnesota
Required Supplemental Information
For the Year Ended December 31, 2020

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0167 %	\$ 1,001,241	\$ 30,848	\$ 1,032,089	\$ 1,189,024	\$ 84.2 %	79.0 %
06/30/19	0.0168	928,834	28,999	957,833	1,191,702	77.9	80.2
06/30/18	0.0175	970,828	31,891	1,002,719	1,179,495	82.3	79.5
06/30/17	0.0171	1,091,653	13,726	1,091,653	1,101,593	99.1	75.9
06/30/16	0.0178	1,445,272	18,946	1,464,218	1,106,840	130.6	68.9
06/30/15	0.0166	860,298	-	860,298	977,965	89.5	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 87,115	\$ 87,115	\$ -	\$ 1,161,532	7.50 %
12/31/19	90,945	90,945	-	1,212,601	7.50
12/31/18	88,679	88,679	-	1,182,386	7.50
12/31/17	85,109	85,109	-	1,134,782	7.50
12/31/16	81,610	81,610	-	1,088,133	7.50
12/31/15	77,467	77,467	-	1,032,893	7.50

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

2020 - 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 employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% 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.

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

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

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

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

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employee Fund (Continued)

Changes in Plan Provisions

2020 - 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.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - No changes noted

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0807 %	\$ 1,063,712	\$ -	\$1,063,712	\$ 952,165	111.7 %	87.2 %
06/30/19	0.0838	892,136	-	892,136	892,136	100.9	89.3
06/30/18	0.0791	843,125	-	843,125	833,645	101.1	88.8
06/30/17	0.0790	1,066,594	-	1,066,594	813,313	131.1	85.4
06/30/16	0.0870	3,491,461	-	3,491,461	841,198	415.1	63.9
06/30/15	0.0900	1,022,611	-	1,022,611	822,038	124.4	86.6

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

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 162,488	\$ 162,488	\$ -	\$ 958,628	16.95 %
12/31/19	152,505	152,505	-	899,735	16.20
12/31/18	139,304	139,304	-	859,900	16.20
12/31/17	133,772	133,772	-	825,751	16.20
12/31/16	131,872	131,872	-	814,025	16.20
12/31/15	130,345	130,345	-	804,599	16.20

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

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

Changes in Plan Provisions

2020 - No changes noted

2019 - No changes noted

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

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

2016 - No changes noted.

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2020

Schedule of Changes in the City's Total OPEB Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 8,001	\$ 6,415	\$ 6,650
Interest	3,581	4,208	3,467
Differences between expected and actual experience	-	8,257	-
Changes in assumptions	8,005	8,104	(6,427)
Benefit payments	<u>(773)</u>	<u>(729)</u>	<u>(1,956)</u>
Net Change in Total OPEB Liability	18,814	26,255	1,734
 Total OPEB Liability - Beginning	 <u>123,097</u>	 <u>96,842</u>	 <u>95,108</u>
 Total OPEB Liability - Ending	 <u><u>\$ 141,911</u></u>	 <u><u>\$ 123,097</u></u>	 <u><u>\$ 96,842</u></u>
 Covered - Employee Payroll	 \$ 2,100,000	 \$ 2,000,000	 \$ 1,900,000
 City's total OPEB liability as a percentage of covered employee payroll	 6.8 %	 6.2 %	 5.1 %

Benefit Changes:

In 2020, there were no benefit changes

Changes in Assumptions:

In 2020, there were no assumptions changes

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Medina, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 1,418,244	\$ 3,823,267	\$ 5,241,511
Receivables			
Taxes	-	875	875
Accounts	-	112,347	112,347
Special assessments	-	288,779	288,779
Due from other governments	1,346	6,283	7,629
Prepaid items	225	-	225
	<u>225</u>	<u>-</u>	<u>225</u>
 Total Assets	 <u>\$ 1,419,815</u>	 <u>\$ 4,231,551</u>	 <u>\$ 5,651,366</u>
Liabilities			
Accounts payable	\$ -	\$ 8,914	\$ 8,914
Due to other funds	-	117,408	117,408
Due to other governments	-	1,468	1,468
Unearned revenue	-	112,347	112,347
Total Liabilities	<u>-</u>	<u>240,137</u>	<u>240,137</u>
 Deferred Inflows of Resources			
Unavailable revenue - taxes	-	875	875
Unavailable revenue - assessments	-	288,779	288,779
Total Deferred Inflows of Resources	<u>-</u>	<u>289,654</u>	<u>289,654</u>
 Fund Balances			
Nonspendable	225	-	225
Restricted	192,821	1,261,859	1,454,680
Committed	1,226,769	407,356	1,634,125
Assigned	-	2,097,752	2,097,752
Unassigned	-	(65,207)	(65,207)
Total Fund Balances	<u>1,419,815</u>	<u>3,701,760</u>	<u>5,121,575</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 1,419,815</u>	 <u>\$ 4,231,551</u>	 <u>\$ 5,651,366</u>

City of Medina, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 111,324	\$ 310,613	\$ 421,937
Tax increments	-	523,716	523,716
Franchise fees	60,506	-	60,506
Intergovernmental	-	1,600	1,600
Charges for services	10,465	387,298	397,763
Fines and forfeitures	14,487	-	14,487
Special assessments	-	166,823	166,823
Interest on investments	31,078	94,026	125,104
Miscellaneous	73,043	-	73,043
Total Revenues	<u>300,903</u>	<u>1,484,076</u>	<u>1,784,979</u>
Expenditures			
Current			
Public safety	1,404	-	1,404
Culture and recreation	46,961	-	46,961
Capital outlay			
General government	-	62,798	62,798
Public safety	32,516	151,591	184,107
Streets and highways	-	1,190,775	1,190,775
Culture and recreation	72,000	19,719	91,719
Economic development	-	214,525	214,525
Total Expenditures	<u>152,881</u>	<u>1,639,408</u>	<u>1,792,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>148,022</u>	<u>(155,332)</u>	<u>(7,310)</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	1,451	18,105	19,556
Transfers in	4,000	7,389	11,389
Transfers out	-	(612,428)	(612,428)
Total Other Financing Sources (Uses)	<u>5,451</u>	<u>(586,934)</u>	<u>(581,483)</u>
Net Change in Fund Balances	153,473	(742,266)	(588,793)
Fund Balances, January 1	<u>1,266,342</u>	<u>4,444,026</u>	<u>5,710,368</u>
Fund Balances, December 31	<u><u>\$ 1,419,815</u></u>	<u><u>\$ 3,701,760</u></u>	<u><u>\$ 5,121,575</u></u>

City of Medina, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2020

	204	226	227	235
	Environmental	Municipal Park	Field House	Police Forfeiture
Assets				
Cash and temporary investments	\$ 519,519	\$ 377,848	\$ 6,178	\$ 236,881
Due from other governments	-	1,346	-	-
Prepaid items	<u>225</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u><u>\$ 519,744</u></u>	 <u><u>\$ 379,194</u></u>	 <u><u>\$ 6,178</u></u>	 <u><u>\$ 236,881</u></u>
 Fund Balances				
Nonspendable	\$ 225	\$ -	\$ -	\$ -
Restricted	-	5,175	-	187,646
Committed	<u>519,519</u>	<u>374,019</u>	<u>6,178</u>	<u>49,235</u>
 Total Fund Balances	 <u><u>\$ 519,744</u></u>	 <u><u>\$ 379,194</u></u>	 <u><u>\$ 6,178</u></u>	 <u><u>\$ 236,881</u></u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ 17,371	\$ 167,605	\$ 23,328	\$ 69,514	\$ 1,418,244
-	-	-	-	1,346
-	-	-	-	225
<u>\$ 17,371</u>	<u>\$ 167,605</u>	<u>\$ 23,328</u>	<u>\$ 69,514</u>	<u>\$ 1,419,815</u>
\$ -	\$ -	\$ -	\$ -	\$ 225
-	-	-	-	192,821
17,371	167,605	23,328	69,514	1,226,769
<u>\$ 17,371</u>	<u>\$ 167,605</u>	<u>\$ 23,328</u>	<u>\$ 69,514</u>	<u>\$ 1,419,815</u>

City of Medina, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2020

	204	226	227	235
	<u>Environmental</u>	<u>Municipal Park</u>	<u>Field House</u>	<u>Police Forfeiture</u>
Revenues				
Taxes				
Property	\$ -	\$ 111,324	\$ -	\$ -
Franchise fees	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	14,487
Interest on investments	12,302	7,234	165	5,548
Miscellaneous	8,633	63,316	894	-
Total Revenues	<u>20,935</u>	<u>181,874</u>	<u>1,059</u>	<u>20,035</u>
Expenditures				
Current				
Public safety	-	-	-	212
Culture and recreation	28,602	-	2,919	-
Capital outlay				
Public safety	-	-	-	32,516
Culture and recreation	-	72,000	-	-
Total Expenditures	<u>28,602</u>	<u>72,000</u>	<u>2,919</u>	<u>32,728</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,667)</u>	<u>109,874</u>	<u>(1,860)</u>	<u>(12,693)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	1,451
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,451</u>
Net Change in Fund Balances	(7,667)	109,874	(1,860)	(11,242)
Fund Balances, January 1	<u>527,411</u>	<u>269,320</u>	<u>8,038</u>	<u>248,123</u>
Fund Balances, December 31	<u><u>\$ 519,744</u></u>	<u><u>\$ 379,194</u></u>	<u><u>\$ 6,178</u></u>	<u><u>\$ 236,881</u></u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ -	\$ -	\$ -	\$ -	\$ 111,324
-	-	-	60,506	60,506
-	10,465	-	-	10,465
-	-	-	-	14,487
424	3,817	463	1,125	31,078
200	-	-	-	73,043
<u>624</u>	<u>14,282</u>	<u>463</u>	<u>61,631</u>	<u>300,903</u>
1,192	-	-	-	1,404
-	1,976	-	13,464	46,961
-	-	-	-	32,516
-	-	-	-	72,000
<u>1,192</u>	<u>1,976</u>	<u>-</u>	<u>13,464</u>	<u>152,881</u>
<u>(568)</u>	<u>12,306</u>	<u>463</u>	<u>48,167</u>	<u>148,022</u>
-	-	-	-	1,451
-	-	4,000	-	4,000
-	-	4,000	-	5,451
(568)	12,306	4,463	48,167	153,473
<u>17,939</u>	<u>155,299</u>	<u>18,865</u>	<u>21,347</u>	<u>1,266,342</u>
<u>\$ 17,371</u>	<u>\$ 167,605</u>	<u>\$ 23,328</u>	<u>\$ 69,514</u>	<u>\$ 1,419,815</u>

City of Medina, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2020

	225	401	402	406
	Park Dedication	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9
Assets				
Cash and temporary investments	\$ 1,669,304	\$ 262,126	\$ 1,510,364	\$ 52,135
Receivables				
Taxes				
Accounts	41,647	-	70,700	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	1,534
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,534</u>
Total Assets	<u><u>\$ 1,710,951</u></u>	<u><u>\$ 262,126</u></u>	<u><u>\$ 1,581,064</u></u>	<u><u>\$ 53,669</u></u>
Liabilities				
Accounts payable	\$ 89	\$ -	\$ -	\$ -
Due to other funds	-	-	-	117,408
Due to other governments	-	-	-	1,468
Unearned revenue	41,647	-	70,700	-
Total Liabilities	<u>41,736</u>	<u>-</u>	<u>70,700</u>	<u>118,876</u>
Deferred Inflows of Resources				
Unavailable revenue - assessments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	1,261,859	-	-	-
Committed	407,356	-	-	-
Assigned	-	262,126	1,510,364	-
Unassigned	-	-	-	(65,207)
Total Fund Balances	<u>1,669,215</u>	<u>262,126</u>	<u>1,510,364</u>	<u>(65,207)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 1,710,951</u></u>	<u><u>\$ 262,126</u></u>	<u><u>\$ 1,581,064</u></u>	<u><u>\$ 53,669</u></u>

411	420	
Equipment Replacement	Road Improvement	Total
\$ 21,296	\$ 308,042	\$ 3,823,267
	875	875
-	-	112,347
-	288,779	288,779
3,755	994	6,283
<u>\$ 25,051</u>	<u>\$ 598,690</u>	<u>\$ 4,231,551</u>
\$ -	\$ 8,825	\$ 8,914
-	-	117,408
-	-	1,468
-	-	112,347
<u>-</u>	<u>8,825</u>	<u>240,137</u>
<u>-</u>	<u>288,779</u>	<u>288,779</u>
-	-	1,261,859
-	-	407,356
25,051	300,211	2,097,752
-	-	(65,207)
<u>25,051</u>	<u>300,211</u>	<u>3,701,760</u>
<u>\$ 25,051</u>	<u>\$ 598,690</u>	<u>\$ 4,231,551</u>

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

	225	401	402	406
	Park	General	Water	Tax
	Dedication	Capital	Capital	Increment
	<u> </u>	<u>Improvement</u>	<u>Improvement</u>	<u>1-9</u>
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	523,716
Intergovernmental	-	-	-	-
Charges for services	42,888	-	344,410	-
Special assessments	-	-	-	-
Interest on investments	38,367	6,955	38,321	-
Total Revenues	<u>81,255</u>	<u>6,955</u>	<u>382,731</u>	<u>523,716</u>
Expenditures				
Capital outlay				
General government	-	62,798	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	19,719	-	-	-
Economic development	-	-	-	214,525
Total Expenditures	<u>19,719</u>	<u>62,798</u>	<u>-</u>	<u>214,525</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>61,536</u>	<u>(55,843)</u>	<u>382,731</u>	<u>309,191</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfer out	-	-	(356,028)	(256,400)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(356,028)</u>	<u>(256,400)</u>
Net Change in Fund Balances	61,536	(55,843)	26,703	52,791
Fund Balances, January 1	<u>1,607,679</u>	<u>317,969</u>	<u>1,483,661</u>	<u>(117,998)</u>
Fund Balances, December 31	<u>\$ 1,669,215</u>	<u>\$ 262,126</u>	<u>\$ 1,510,364</u>	<u>\$ (65,207)</u>

411	420	
<u>Equipment Replacement</u>	<u>Road Improvement</u>	<u>Total</u>
\$ 310,613	\$ -	\$ 310,613
-	-	523,716
1,600	-	1,600
-	-	387,298
-	166,823	166,823
283	10,100	94,026
<u>312,496</u>	<u>176,923</u>	<u>1,484,076</u>
-	-	62,798
151,591	-	151,591
255,140	935,635	1,190,775
-	-	19,719
-	-	214,525
<u>406,731</u>	<u>935,635</u>	<u>1,639,408</u>
<u>(94,235)</u>	<u>(758,712)</u>	<u>(155,332)</u>
18,105	-	18,105
-	7,389	7,389
-	-	(612,428)
<u>18,105</u>	<u>7,389</u>	<u>(586,934)</u>
(76,130)	(751,323)	(742,266)
<u>101,181</u>	<u>1,051,534</u>	<u>4,444,026</u>
<u>\$ 25,051</u>	<u>\$ 300,211</u>	<u>\$ 3,701,760</u>

City of Medina, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property taxes	\$ 3,509,452	\$ 3,509,452	\$ 3,435,852	\$ (73,600)	\$ 3,367,192
Licenses and permits	283,369	283,369	492,055	208,686	418,547
Intergovernmental					
Federal	27,000	27,000	512,132	485,132	22,576
State					
Local government aid	-	-	27,528	27,528	-
Property tax credits	4,000	4,000	3,115	(885)	3,812
Police state aid	90,000	90,000	104,669	14,669	102,586
Fire state aid	50,000	50,000	48,116	(1,884)	49,886
PERA aid	1,773	1,773	-	(1,773)	1,773
Other grants and aids	103,000	103,000	116,972	13,972	101,981
County					
Other grants and aids	13,000	13,000	12,107	(893)	12,853
Total intergovernmental	288,773	288,773	824,639	535,866	295,467
Charges for services					
General government	24,000	24,000	21,972	(2,028)	24,878
Public safety	179,987	179,987	292,780	112,793	256,690
Public works	4,400	4,400	3,465	(935)	4,777
Culture and recreation	37,000	37,000	6,394	(30,606)	48,744
Total charges for services	245,387	245,387	324,611	79,224	335,089
Fines and forfeitures	95,000	95,000	77,158	(17,842)	98,187
Special assessments	-	-	439	439	444
Interest on investments	30,000	30,000	93,011	63,011	116,324
Miscellaneous					
Contributions and donations	1,000	1,000	12,038	11,038	15,358
Other	133,359	133,359	198,120	64,761	91,896
Total miscellaneous	134,359	134,359	210,158	75,799	107,254
Total Revenues	4,586,340	4,586,340	5,457,923	871,583	4,738,504

City of Medina, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 17,494	\$ 17,494	\$ 17,224	\$ 270	\$ 17,494
Other services and charges	8,050	8,050	8,301	(251)	8,770
Total mayor and council	<u>25,544</u>	<u>25,544</u>	<u>25,525</u>	<u>19</u>	<u>26,264</u>
Administration					
Personal services	547,890	547,890	531,101	16,789	503,948
Supplies	5,100	5,100	3,090	2,010	3,172
Other services and charges	109,390	109,390	133,780	(24,390)	225,074
Total administration	<u>662,380</u>	<u>662,380</u>	<u>667,971</u>	<u>(5,591)</u>	<u>732,194</u>
Elections					
Personal services	8,550	8,550	26,816	(18,266)	-
Supplies	1,000	1,000	773	227	298
Other services and charges	5,700	5,700	7,229	(1,529)	1,080
Total elections	<u>15,250</u>	<u>15,250</u>	<u>34,818</u>	<u>(19,568)</u>	<u>1,378</u>
Assessing					
Supplies	-	-	-	-	-
Other services and charges	98,066	98,066	104,751	(6,685)	101,144
Total assessing	<u>98,066</u>	<u>98,066</u>	<u>104,751</u>	<u>(6,685)</u>	<u>101,144</u>
Planning and zoning					
Personal services	140,682	140,682	137,941	2,741	133,991
Supplies	750	750	1,559	(809)	(140)
Other services and charges	57,600	57,600	23,424	34,176	50,642
Total planning and zoning	<u>199,032</u>	<u>199,032</u>	<u>162,924</u>	<u>36,108</u>	<u>184,493</u>
PW/PD facility					
Supplies	-	-	824	(824)	814
Other services and charges	77,500	77,500	76,704	796	71,967
Total PW/PD facility	<u>77,500</u>	<u>77,500</u>	<u>77,528</u>	<u>(28)</u>	<u>72,781</u>

City of Medina, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Other general government					
Supplies	\$ 21,300	\$ 21,300	\$ 19,096	\$ 2,204	\$ 22,630
Other services and charges	128,404	128,404	112,432	15,972	108,366
Total other general government	149,704	149,704	131,528	18,176	130,996
Total general government	1,227,476	1,227,476	1,205,045	22,431	1,249,250
Public safety					
Police					
Personal services	1,511,542	1,511,542	1,620,548	(109,006)	1,436,687
Supplies	61,068	61,068	194,309	(133,241)	62,943
Other services and charges	183,800	183,800	159,964	23,836	161,921
Total police	1,756,410	1,756,410	1,974,821	(218,411)	1,661,551
Building inspection					
Personal services	170,259	170,259	153,218	17,041	156,494
Supplies	750	750	230	520	-
Other services and charges	159,655	159,655	271,747	(112,092)	182,677
Total building inspection	330,664	330,664	425,195	(94,531)	339,171
Fire					
Other services and charges	419,111	419,111	453,224	(34,113)	425,597
Total public safety	2,506,185	2,506,185	2,853,240	(347,055)	2,426,319
Streets and highways					
Streets					
Personal services	298,971	298,971	283,691	15,280	361,589
Supplies	244,580	244,580	176,781	67,799	214,190
Other services and charges	207,850	207,850	179,645	28,205	176,648
Total streets and highways	751,401	751,401	640,117	111,284	752,427
Sanitation and recycling					
Personal services	12,156	12,156	12,065	91	11,222
Supplies	8,395	8,395	320	8,075	566
Other services and charges	5,450	5,450	1,415	4,035	3,245
Total sanitation and recycling	26,001	26,001	13,800	12,201	15,033

City of Medina, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Personal services	\$ 79,806	\$ 79,806	\$ 78,753	\$ 1,053	\$ 96,534
Supplies	34,520	34,520	11,733	22,787	10,385
Other services and charges	120,855	120,855	114,673	6,182	116,038
Total culture and recreation	<u>235,181</u>	<u>235,181</u>	<u>205,159</u>	<u>30,022</u>	<u>222,957</u>
Economic development					
Other services and charges	<u>56,880</u>	<u>56,880</u>	<u>-</u>	<u>56,880</u>	<u>-</u>
Total Current	<u>4,803,124</u>	<u>4,803,124</u>	<u>4,917,361</u>	<u>(114,237)</u>	<u>4,665,986</u>
Capital outlay					
Streets and highways	-	-	376,815	(376,815)	-
Culture and recreation	-	-	-	-	18,000
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>376,815</u>	<u>(376,815)</u>	<u>18,000</u>
Total Expenditures	<u>4,803,124</u>	<u>4,803,124</u>	<u>5,294,176</u>	<u>(491,052)</u>	<u>4,683,986</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(216,784)</u>	<u>(216,784)</u>	<u>163,747</u>	<u>380,531</u>	<u>54,518</u>
Other Financing Sources (Uses)					
Transfers in	220,784	220,784	220,784	-	213,573
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(404,000)</u>
Total Other Financing Sources (Uses)	<u>216,784</u>	<u>216,784</u>	<u>216,784</u>	<u>-</u>	<u>(190,427)</u>
Net Change in Fund Balances	-	-	380,531	380,531	(135,909)
Fund Balances, January 1	<u>3,126,401</u>	<u>3,126,401</u>	<u>3,126,401</u>	<u>-</u>	<u>3,262,310</u>
Fund Balances, December 31	<u>\$ 3,126,401</u>	<u>\$ 3,126,401</u>	<u>\$ 3,506,932</u>	<u>\$ 380,531</u>	<u>\$ 3,126,401</u>

City of Medina, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2020

	312 G.O. Improvement Bonds 2010A	316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B
Assets				
Cash and temporary investments	\$ -	\$ (509)	\$ 5,350,833	\$ 11,609
Receivables				
Taxes	-	1,699	7,313	-
Special assessments	-	-	-	7,602
Due from other governments	-	721	2,929	-
	<u>-</u>	<u>721</u>	<u>2,929</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 1,911</u>	<u>\$ 5,361,075</u>	<u>\$ 19,211</u>
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	-	1,699	7,313	-
Unavailable revenue - special assessments	-	-	-	7,602
Total Deferred Inflows of Resources	<u>-</u>	<u>1,699</u>	<u>7,313</u>	<u>7,602</u>
Fund Balances				
Restricted for debt service	<u>-</u>	<u>(49,788)</u>	<u>5,353,762</u>	<u>(78,391)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 1,911</u>	<u>\$ 5,361,075</u>	<u>\$ 19,211</u>

321 G.O. Refunding Bonds 2013A	322 G.O. Improvement Bonds 2015A	323 G.O. Refunding Bonds 2016A	324 G.O. Improvement Bonds 2017A	Total
\$ 171,808	\$ 380,919	\$ 41,471	317,525	\$ 6,273,656
3,936	2,113	-	-	15,061
-	496,793	23,328	708,293	1,236,016
1,651	5,565	-	-	10,866
<u>\$ 177,395</u>	<u>\$ 885,390</u>	<u>\$ 64,799</u>	<u>\$ 1,025,818</u>	<u>\$ 7,535,599</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,000</u>
3,936	2,113	-	-	15,061
-	496,793	23,328	708,293	1,236,016
3,936	498,906	23,328	708,293	1,251,077
173,459	386,484	41,471	317,525	6,144,522
<u>\$ 177,395</u>	<u>\$ 885,390</u>	<u>\$ 64,799</u>	<u>\$ 1,025,818</u>	<u>\$ 7,535,599</u>

City of Medina, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	312 G.O. Improvement Bonds 2010A	316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B
Revenues				
Taxes	\$ 29,382	\$ 59,709	\$ 242,735	\$ -
Special assessments	-	-	-	8,716
Interest on investments	-	-	13,770	-
Total Revenues	<u>29,382</u>	<u>59,709</u>	<u>256,505</u>	<u>8,716</u>
Expenditures				
Debt service				
Principal	60,000	295,000	175,000	175,000
Interest and other charges	1,640	6,513	194,269	1,956
Total Expenditures	<u>61,640</u>	<u>301,513</u>	<u>369,269</u>	<u>176,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,258)</u>	<u>(241,804)</u>	<u>(112,764)</u>	<u>(168,240)</u>
Other Financing Sources (Uses)				
Transfer in	-	-	60,926	75,000
Bond issued	-	-	4,740,000	-
Premium on bonds issued	-	-	221,757	-
Transfer out	(7,389)	-	-	-
Total Other Financing Sources (Uses)	<u>(7,389)</u>	<u>-</u>	<u>5,022,683</u>	<u>75,000</u>
Net Change in Fund Balances	(39,647)	(241,804)	4,909,919	(93,240)
Fund Balances, January 1	<u>39,647</u>	<u>192,016</u>	<u>443,843</u>	<u>14,849</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (49,788)</u>	<u>\$ 5,353,762</u>	<u>\$ (78,391)</u>

321 G.O. Refunding Bonds 2013A	322 G.O. Improvement Bonds 2015A	323 G.O. Refunding Bonds 2016A	324 G.O. Improvement Bonds 2017A	Total
\$ 75,922	\$ 123,899	\$ -	\$ -	\$ 531,647
-	114,137	11,838	192,551	327,242
2,500	5,034	-	9,746	31,050
<u>78,422</u>	<u>243,070</u>	<u>11,838</u>	<u>202,297</u>	<u>889,939</u>
150,000	120,000	170,000	1,210,000	2,355,000
10,620	38,630	17,290	54,964	325,882
<u>160,620</u>	<u>158,630</u>	<u>187,290</u>	<u>1,264,964</u>	<u>2,680,882</u>
(82,198)	84,440	(175,452)	(1,062,667)	(1,790,943)
34,340	-	181,400	-	351,666
-	-	-	980,000	5,720,000
-	-	-	59,701	281,458
-	-	-	-	(7,389)
<u>34,340</u>	<u>-</u>	<u>181,400</u>	<u>1,039,701</u>	<u>6,345,735</u>
(47,858)	84,440	5,948	(22,966)	4,554,792
<u>221,317</u>	<u>302,044</u>	<u>35,523</u>	<u>340,491</u>	<u>1,589,730</u>
<u>\$ 173,459</u>	<u>\$ 386,484</u>	<u>\$ 41,471</u>	<u>\$ 317,525</u>	<u>\$ 6,144,522</u>

City of Medina, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 4,973,658	\$ 4,602,747	8.1 %
Licenses and permits	492,055	418,547	17.6
Intergovernmental	826,239	339,667	143.3
Charges for services	764,313	1,022,894	(25.3)
Fines and forfeitures	91,645	220,605	(58.5)
Special assessments	494,504	676,053	(26.9)
Interest on investments	320,427	431,793	(25.8)
Miscellaneous	283,201	817,780	(65.4)
Total Revenues	<u>\$ 8,246,042</u>	<u>\$ 8,530,086</u>	(3.3) %
Per Capita	<u>\$ 1,215</u>	<u>\$ 1,283</u>	(5.4) %
Expenditures			
Current			
General government	\$ 1,205,045	\$ 1,249,250	(3.5) %
Public safety	2,854,644	2,435,794	17.2
Streets and highways	640,117	752,427	(14.9)
Sanitation and recycling	13,800	15,033	(8.2)
Culture and recreation	252,120	303,509	(16.9)
Capital outlay			
General government	62,798	13,716	357.8
Public safety	184,107	320,274	(42.5)
Streets and highways	1,567,698	928,067	68.9
Culture and recreation	91,719	81,631	12.4
Economic development	214,525	190,872	12.4
Debt service			
Principal	2,355,000	820,000	187.2
Interest and other	325,882	238,347	36.7
Total Expenditures	<u>\$ 9,767,455</u>	<u>\$ 7,348,920</u>	32.9 %
Per Capita	<u>\$ 1,439</u>	<u>\$ 1,106</u>	30.1 %
Total Long-term Indebtedness	\$ 13,245,000	\$ 9,880,000	34.1 %
Per Capita	1,951	1,487	31.3
General Fund Balance - December 31	\$ 3,506,932	\$ 3,126,401	12.2 %
Per Capita	517	470	9.8

The purpose of this report is to provide a summary of financial information concerning the City of Medina to interested citizens. The complete financial statements may be examined at City Hall, 2052 County Road 24, Medina, Minnesota 55340-9790. Questions about this report should be directed to the Finance Director at (763) 473-4643.

OTHER REQUIRED REPORT

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Medina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2021.

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 29, 2021

City of Medina, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
2020-001	Preparation of Financial Statements
<i>Condition:</i>	As auditors, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is the responsibility of the City to make the decision to accept this degree of risk associated with this condition because of cost or other considerations. We have requested management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	The City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Medina, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
2020-002	Coronavirus Relief Fund
<i>Condition:</i>	During our Coronavirus Relief Fund (CRF) compliance testing procedures, we reviewed City costs applied to the program as reported to the State of Minnesota and identified questioned costs of \$4,224. The questioned expenses were paid November 17, 2020, after the program end date.
<i>Criteria:</i>	The Department of the Treasury Coronavirus Relief Fund program guidance states revenue replacement is not a permissible use of Fund payments. The State of Minnesota required Cities to either spend CRF funds by November 15, 2020 or return any unspent funds by November 20, 2020.
<i>Cause:</i>	The City was aware of the program compliance requirement, however the checks were paid past the deadline due to the date of the City Council meeting date and approval of payments.
<i>Effect:</i>	The City is out of compliance with the CRF program
<i>Recommendation:</i>	We recommend City staff ensure future expenditures are spent within the grant period. This may involve considering additional options or modifications to the purchasing policy.

Management Response:

The City considered the expense paid to the vendor via credit card within the grant spending period. The credit card statement was paid two days after the grant period due to the scheduling of the City Council meeting. The City amended the final report to the State of Minnesota, restating the expenses to remove the election expenses considered past the deadline to eligible public safety expenses that were within the grant period. The State of Minnesota accepted the amended final report.