

Annual Comprehensive Financial Report

Year Ended December 31, 2021

City of Owatonna, Minnesota

CITY OF OWATONNA, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

DEPARTMENT OF FINANCE

Rhonda L. Moen, CPA, CPFO
Finance Director

Member of the Government Finance Officer's Association

Of the United States and Canada

CITY OF OWATONNA, MINNESOTA
Annual Comprehensive Financial Report
For the year ended December 31, 2021

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Administrative Services Department

May 16, 2022

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Honorable Mayor & Members of the City Council and Citizens of Owatonna

State statutes require that the City publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2021.

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

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Owatonna’s financial statements for the year ended December 31, 2021. The independent auditors’ report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

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

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

Local Economy

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

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

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

The City continues its steady growth even after the effects of the pandemic lingered. Owatonna experienced an increase in the number of building permits, from 1,841 permits to 1,974 permits. Major projects driving this growth include industrial, commercial and multi-family residential projects; more specifically, Morton Buildings, Seykora Asphalt, Rayven, Courtyard by Marriot Hotel and The Pearl apartment complex. The continued commercial and industrial growth is fueling the housing market. Owatonna (40) outpaced our neighboring cities of Faribault (24), North Mankato (26), Albert Lea (7), Austin (14), New Ulm (16) and Winona (8) in terms of new single family home permits issued in 2021. Owatonna was also a top performer in total construction valuation in 2021 with \$61,000,000.

The City's LGA allocation was increased to \$140,000. The city once again earmarked these funds primarily for one-time investments. For example, begin to address long standing issues relating to hazardous buildings, a program to maximize grant funds and a downtown streetscape project. The City Council places a high priority on using these funds to advance the goals of the strategic plan, in this case, areas of Economic Vitality and Infrastructure.

The City continued its investment in capital improvement projects that reflect the priorities established in the strategic plan of infrastructure, quality of life, economic vitality, and efficient, effective government. Key items included: computer and technology replacements and upgrades, resurfacing of outdoor sport courts, update of Brown Park restrooms new roof top units at West Hills Social Commons and replacement of a GPS unit. Key vehicles or equipment purchased through the VRF include squad cars, airport one-ton utility truck, engineering vehicle, Tractors, mowers, blowers, stump grinder, skid steer and one ton truck with plow. The building maintenance fund addressed some deferred maintenance needs throughout the city. The City owns a significant number of buildings, and this account is now able to fund some critical maintenance needs. Projects included rehabbing to the Fire Station tower, roof repairs at Morehouse Chalet and Street shop and new fire alarm panel at Merrill Hall.

A key investment was made to revitalize downtown with construction of the streetscape project. Work began on the 200 and 300 block of Cedar Avenue. The remaining 100 block will be completed in 2022. This new streetscape will transform the downtown from vehicle oriented to a pedestrian oriented downtown. Studies show pedestrian friendly downtowns experience longer visits by shoppers resulting in more money being spent. The project includes new underground utilities, street, expanded sidewalks for pedestrian and retail use, planting beds and trees, seating throughout and wayfinding and gateway signage. This project will improve ADA accessibility, add vitality and beauty to downtown. Construction began on the new Courtyard by Marriot 106 room downtown hotel and another four-story apartment building called The Pearl. These two projects reflect a \$25 million-dollar investment in downtown and compliments the investment in the streetscape. The Courtyard by Marriot is located in the 200 block of Cedar and the Pearl is just north of Cedar on Pearl Street. The streetscape will help showcase the new private investments of the hotel and apartments.

Another major capital project completed in 2021 was the street reconstruction and installation of a new roundabout and median on Bridge Street. Major improvements were started on Truman Ave which will be completed in 2022. Work continues with the planned expansion at the Wastewater Treatment Plant. This expansion is key to continuing the steady industrial and residential growth Owatonna has enjoyed. The MPCA has approved the proposed facility plan and issued a new NPDES permit. The plans for the expansion are in the engineering/design stage.

Highway 14, an important component of Owatonna's economic development success, was completed and opened to traffic in November of 2021. The project consisted of 12.5 miles of roadway expanded from two lanes to four lanes and included two new overpasses. This project has elevated safety, infrastructure and the movement of freight and people and continues to aid Owatonna's economic growth.

The city weathered the pandemic reasonably well due to the city's diverse manufacturing base that were able to keep operations going throughout 2020 and 2021. The City of Owatonna had a good year in terms of economic development too. Several major businesses opened in 2021, including Bosch Warehouse, Minimizer, Morton Buildings, Seykora Asphalt, Rayven and SMART transit. The number and variety of projects in Owatonna is notable and a significant factor in the stability of the local economy.

Long-term Financial Planning

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

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

Major Initiatives

City Council Members and Department Directors met, reviewed, and revised the City's three-year strategic plan for the City of Owatonna. After a thorough review of the existing objectives, progress made to date, and mission and vision, a revised plan was developed. Key focus areas were reviewed and confirmed for the next three-year period. The strategic objectives for 2022-2024 include infrastructure, economic vitality, quality of life and efficient, effective government.

Infrastructure

The objective identified was to develop and implement fiscal sustainability policies to support core services that proactively ensure the health, safety, and welfare of our citizens: A priority in 2021 was to continue to focus resources on necessary street maintenance and reconstruction. \$3,700,000 was spent on bituminous pavement reconstruction in residential areas, \$3,100,000 invested in reconstruction of Bridge Street, a key commercial area from I-35 to 24th Avenue, and \$175,000 for street overlays. Partnerships are a key component in this focus area. The City, in conjunction with Steele County, completed a new roundabout at 26th Street NE and State Avenue which improved safety and traffic flow. The City also cooperated with Steele County to conduct a feasibility study for Mineral Springs Rail Road Bridge replacement. This has long been a clearance issue for truck traffic and emergency vehicles. Cooperation continued as the City, County, and School District worked on the plan elements for a new roundabout located at 18th Street SE and CSAH 48 by the new Owatonna High School.

The city has continued its sanitary sewer-lining program implemented in 2013 by completing 11,420 linear feet of sewer lining in 2021. This important program reduces the amount of inflow and infiltration (I & I) from entering the sanitary sewer system. Reducing I&I secures the WWTP capacity for treatment of sanitary waste and prolongs the timeframe for a capacity expansion of the facility. The city also completed sewer televising as needed. The City completes routine maintenance of sewer lines to include cleaning at least 20% of the system. As Owatonna continues its period of growth, The capacity at the Wastewater Treatment Plant must be expanded. Staff has been actively working on this issue since 2017. The Wastewater Facility Plan and EAW has been approved by the MPCA. The MPCA has also issued Owatonna a new NPDES permit in 2021. Construction plans for the expansion of the plant from 5.0mgd to 9.1mgd are nearing completion and the project is expected to be let on April 21, 2022.

The City continued with flood mitigation efforts and finished construction of a storm water pond on Partridge Avenue. This pond will help with flooding downstream and provide additional flood protection to downstream properties. The City also replaced a failing storm sewer running between the Maple Avenue and Rose Street.

The 10-year long-term facility plan is annually reviewed and refined as needed. It is integrated and prioritized with 5-year CIP, which helps the city, focus on future issues/needs. The city is also reviewing space needs and current and projected uses of city facilities. This will aid the city in determining the most cost-effective manner to proceed with proposed CIP projects.

Economic Vitality

This key focus area supports economic development efforts through collaboration with city enterprises, other public entities, Owatonna Partners for Economic Development (OPED) and private entities that attract, retain, and create quality jobs to ensure a diverse economic base, a resilient and growing tax base, and thriving neighborhoods. As detailed previously, staff assisted in expansion projects for industry and redevelopment projects impacting downtown commercial and multifamily housing options. The revitalization of downtown through investments made in the streetscape and other redevelopment projects has resulted in additional interest and development in the downtown area. "Graif Clothing store, based in Mankato opened a second store in the central business district. Monson Eye Clinic is planning to invest in a new facility downtown. They will sell their current building to the city allowing the city to demolish the building and add additional parking for downtown. Lillian Rose boutique opened in the central business district and a current boutique, Urban Loft, expanded their store. The City of Owatonna is always striving to encourage and facilitate additional economic development through promotional activities and networking. However due to lingering restrictions related to COVID-19, no broker events were held. The pandemic again caused the cancellation of the MN DEED familiarization tour.

Quality of Life

The objective is to maximize resources that provide quality of life city services and programs, including safety and security, adherence to the city services and economic vitality goals, enhancing conveniences for our citizens, and providing the art, cultural and recreational amenities befitting the size and geographic location of Owatonna. The City continues to make excellent progress in this area. Five new soccer fields were added through a collaboration with the Soccer Association, Daikin Applied, the Nass family and the city. Other major improvements include, Manthey Park inclusive playground and miracle field completed in 2021. City staff utilizes grants whenever possible to help with the costs of new amenities. The city was awarded a \$100,000 grant from Lowes for new accessible playground equipment, grills and picnic tables at Lake Kohlmier. The city also installed a new sport court at Brown Park. The Library added more on-line resources and outdoor activities as staff continued to manage safe interactions for library patrons. For example, "Creative Bug", an online craft resource, outdoor story walks and "Take and Make Craft Bags" for families.

Another critical component of quality of life must be safety and security. The city continues to enjoy a lower crime rate than the State of Minnesota average in all categories. Community engagement is important to the department, and they are continuing their efforts in 2021. OPD had over 800 interactions since 2016. Examples include Night to Unite parties, Shop with a Cop, Daycare visits, ride along program, Canine demonstrations, Citizen Academy and Police Explorer program. The Fire department took delivery of a new pumper truck that provides the latest in pumping capacity and firefighting tools.

Efficient Effective Government

This key focus area seeks to provide an innovative, efficient, and customer-focused government working collaboratively; attract, develop, and retain a high performing municipal workforce: City government is a service-based industry and high performing, and well-trained employees are a critical component to our success. The city wants to create a culture of efficiency and continuous improvement. One way the city is moving this initiative forward is by launching the implementation of a new enterprise resource management solution software. This new software, Open Gov, touches all departments of the city. It will provide better business processes, more efficient workflows, internal controls and budget monitoring. The Open Gov software will also provide additional services online so business owners and residents can obtain permits and conduct other business with the city remotely via eCommerce. The city has added a new Communications Manger whose main focus is to develop an integrated and strategic approach to public communications that is efficient and effective.

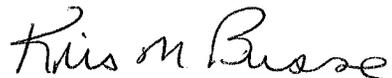
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Owatonna for its annual comprehensive financial report for the fiscal year ended December 31, 2020. This was the tenth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

Kris M. Busse
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Owatonna
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

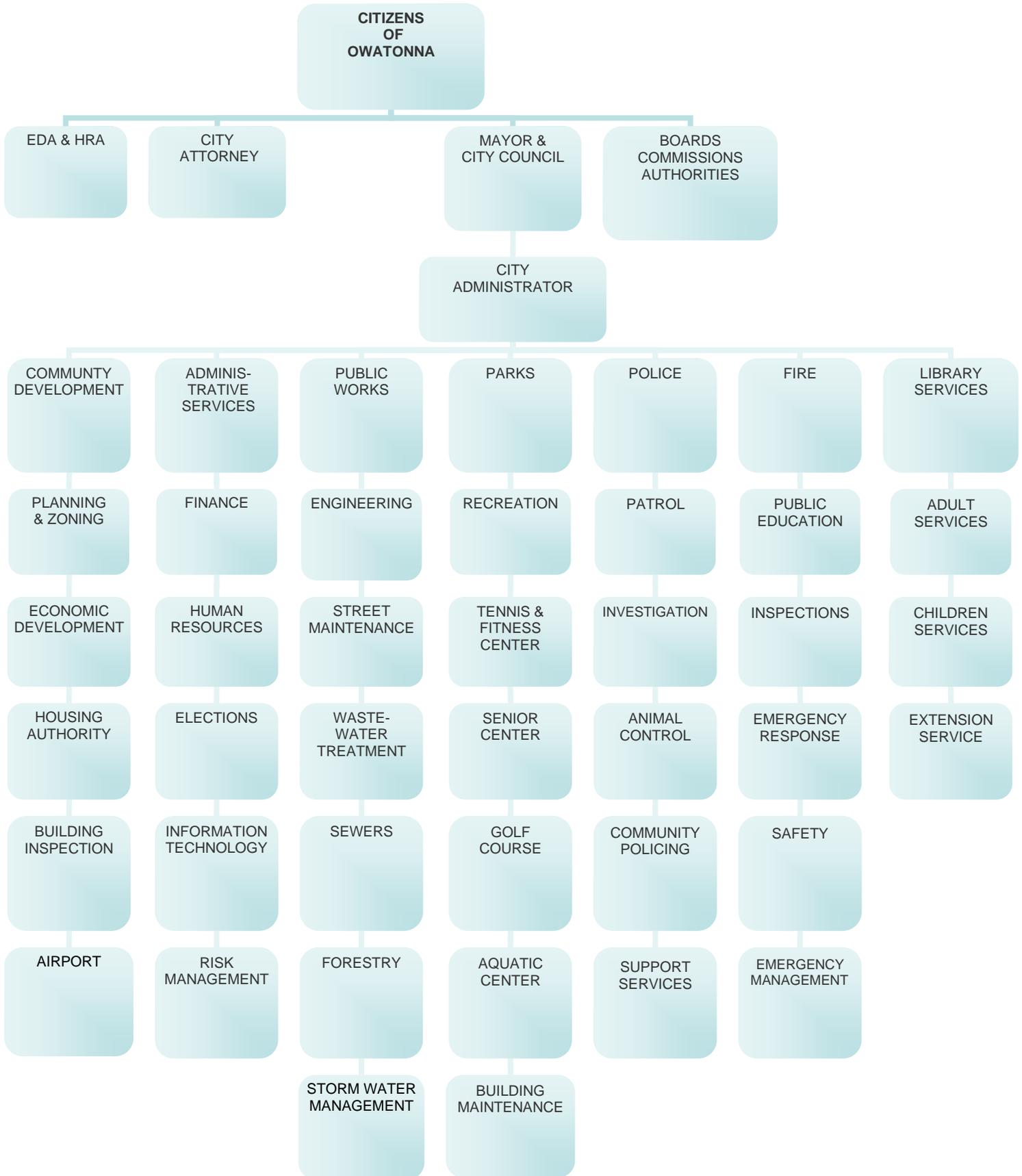
December 31, 2020

Christopher P. Morill

Executive Director/CEO

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City of Owatonna, Minnesota Organization Chart



City of Owatonna, Minnesota

Elected and Appointed Officials

December 31, 2021

City Council:

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

City Officials:

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



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Owatonna

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Owatonna Public Utilities, a blended business-type component unit, which represents 67% and 93%, respectively, of the total assets, and revenues of the business-type activities as of December 31, 2021, and the respective changes in net position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Owatonna Public Utilities, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and
Members of the City Council
City of Owatonna

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Mayor and
Members of the City Council
City of Owatonna

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability, Schedule of City Contributions, and Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of nonmajor governmental funds and schedules of capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements of nonmajor governmental funds and schedules of capital assets used in the operation of governmental funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and
Members of the City Council
City of Owatonna

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
June 8, 2022

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the City of Owatonna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$265,204,463 (net position). Of this amount, \$55,732,071 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$13,372,231.
- As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$29,436,850, an increase of \$2,172,626 from the previous year. Over 64% of this amount, \$18,824,927, is available for spending at the government's discretion (assigned, committed and unassigned fund balance).
- At the end of the current fiscal year, the assigned, committed and unassigned fund balance for the general fund was \$11,927,809, or 58.1% of total general fund expenditures for 2021.
- The City of Owatonna's long-term liabilities remained comparable to prior year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 28-31 of this report.

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

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

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

The City of Owatonna maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the capital projects fund and the ARPA fund, all of which are considered major funds. Data from the other 23 funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 34-43 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 44-49 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-88 of this report.

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

City as a Whole

Government-wide Financial Statements

Net Position serves as a useful indicator of a government's financial position. For the City of Owatonna, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$265.2 million at the end of the current year. The largest portion of the City's net position are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt (\$195.9 million, or 73.9%). The City uses these capital assets to provide services to its citizens; thus they do not represent resources available for future spending. An additional portion of the City of Owatonna's net position (\$13.6 million or 5.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$55.7 million or 21.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's financial position improved during 2021 with their net position increasing by \$13.4 million from \$251.8 million to \$265.2 million.

A condensed version of the Statement of Net Position at December 31, 2021 follows:

Net Position at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2021	2020	2021	2020	2021
Cash and investments	\$30.7	\$28.6	\$45.1	\$49.3	\$75.8
Other assets	10.2	7.8	12.6	9.4	22.8
Capital assets	98.4	94.2	118.7	111.0	217.1
Total assets	<u>139.3</u>	<u>130.6</u>	<u>176.4</u>	<u>169.7</u>	<u>315.7</u>
Deferred outflows of resources	<u>7.2</u>	<u>2.7</u>	<u>2.7</u>	<u>.4</u>	<u>9.9</u>
Other liabilities	7.0	4.5	8.4	8.8	15.4
Long term outstanding	21.7	23.3	9.3	10.4	31.0
Total liabilities	<u>28.7</u>	<u>27.8</u>	<u>17.7</u>	<u>19.2</u>	<u>46.4</u>
Deferred inflows of resources	<u>10.5</u>	<u>4.3</u>	<u>3.5</u>	<u>.3</u>	<u>14.0</u>
Net position:					
Net investment in capital assets	82.1	79.9	113.8	104.6	195.9
Restricted	13.6	12.9			13.6
Unrestricted	11.6	8.4	44.1	46.0	55.7
Total net position	<u>\$107.3</u>	<u>\$101.2</u>	<u>\$157.9</u>	<u>\$150.6</u>	<u>\$265.2</u>

Governmental activities. Governmental activities provided a \$6.1 million increase to the City's net position.

A condensed version of the Statement of Activities follows:

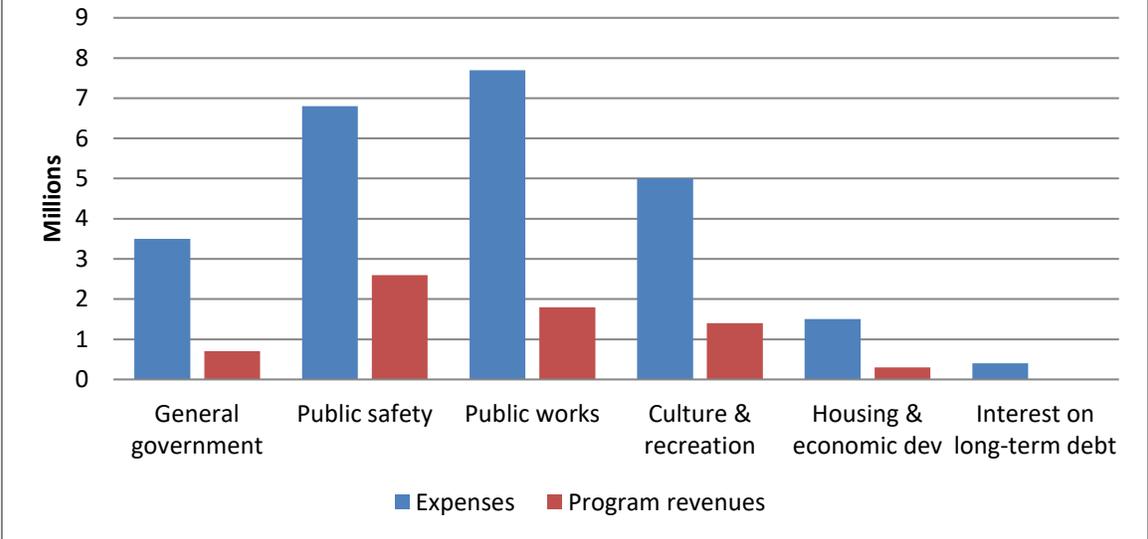
Governmental and Proprietary Activities
For the year ended December 31, 2021
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2021	2020	2021	2020	2020
Revenues					
Program revenues					
Charges for services	\$2.8	\$2.7	\$76.5	\$62.8	\$79.3
Grants and contributions					
Operating	1.7	2.5			1.7
Capital	7.3	1.6			7.3
General revenues					
Taxes	15.1	14.5	.3	.3	15.4
Interest		.4	.3	.7	.3
Sale of capital assets			(1.6)		(1.6)
Grants and contributions	4.8	5.4			4.8
Total revenues	<u>31.7</u>	<u>27.1</u>	<u>75.5</u>	<u>63.8</u>	<u>107.2</u>
Expenses					
General government	3.5	4.3			3.5
Public safety	6.8	7.6			6.8
Public works	7.7	7.4			7.7
Culture and recreation	5.0	4.5			5.0
Housing & economic dev	1.5	2.1			1.5
Miscellaneous					
Interest on long-term debt	.4	.3			.4
Sewer			2.5	2.7	2.5
Storm water			.6	.7	.6
Electric			40.0	39.1	40.0
Water			3.6	3.4	3.6
Gas			22.2	11.8	22.2
Total expenses	<u>24.9</u>	<u>26.2</u>	<u>68.9</u>	<u>57.7</u>	<u>93.8</u>
Excess (deficiency) before transfers	6.8	.9	6.6	6.1	13.4
Transfers	(.7)	.6	.7	(.6)	
Change in net position	6.1	1.5	7.3	5.5	13.4
Beginning net position	101.2	99.7	150.6	145.1	251.8
Ending net position	<u>\$107.3</u>	<u>\$101.2</u>	<u>\$157.9</u>	<u>\$150.6</u>	<u>\$265.2</u>

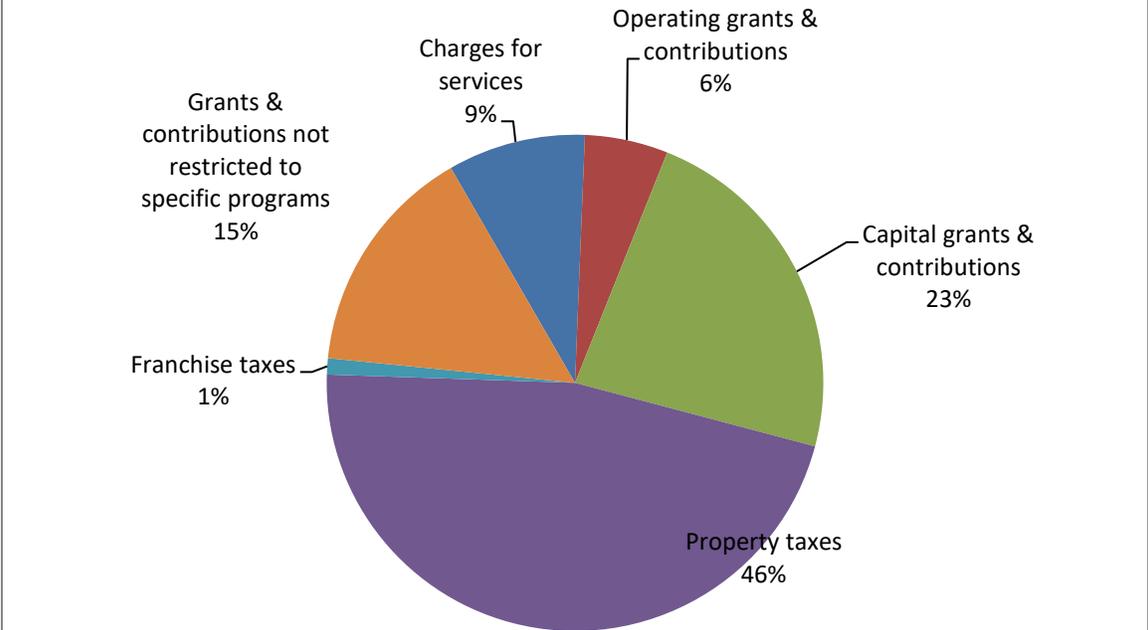
Business-type activities. Business-type activities provided a \$7.3 million increase to the City's total net position. Key elements of this increase are as follows:

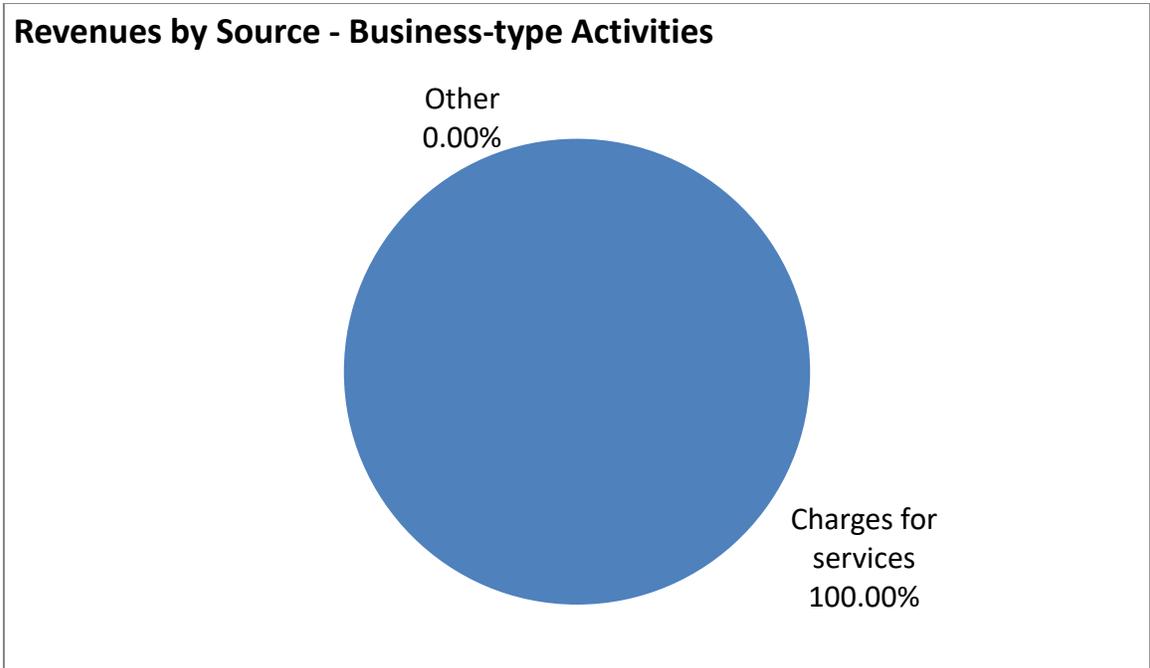
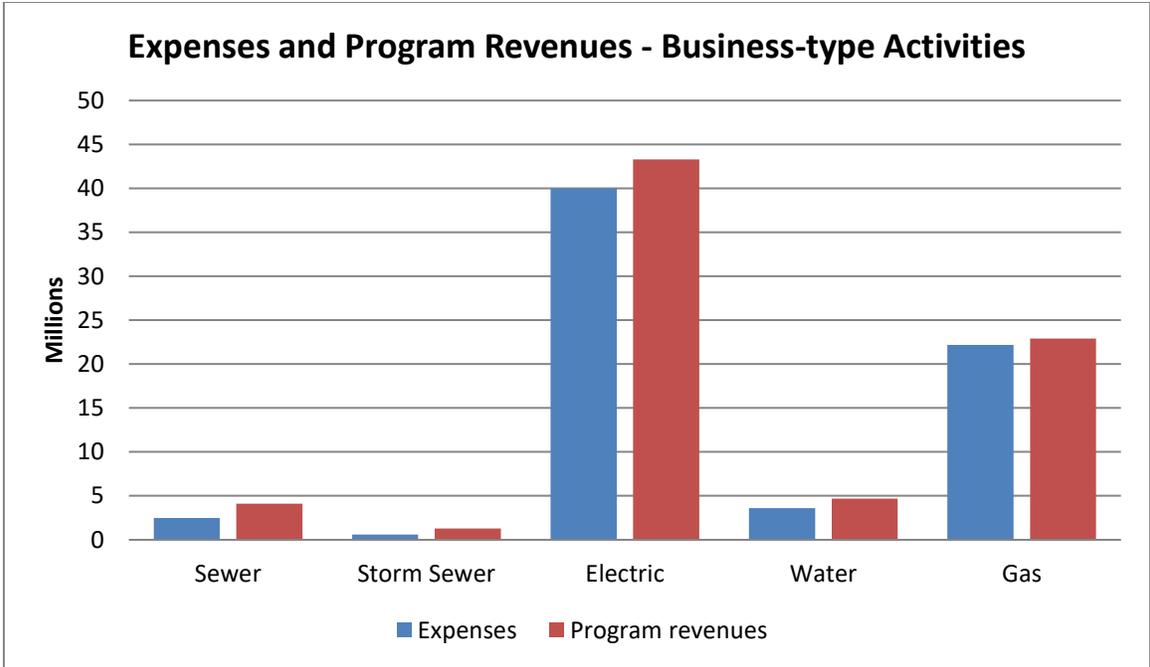
- \$3.8 million increase is attributable to the operations of the municipal electric, gas, and water utilities.
- The Sewer fund had a gain from operations of \$1.2 million.
- The Storm Water fund had a gain from operations of \$2.3 million.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities





Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$29.4 million, a \$2.1 million increase from the prior year. Over half of this total amount (\$18.8 million) constitutes assigned, committed and unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it is already either in nonspendable form, or restricted for 1) various capital projects (\$4.2 million), or 2) debt service (\$5.6 million), or 3) a variety of other restricted purposes (\$0.6 million).

The general fund is the chief operating fund of the City of Owatonna. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$11.9 million, while total fund balance was \$12.1 million. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance and total fund balance to total fund expenditures for 2021. Assigned and unassigned fund balance represents 58.1% of total general fund expenditures, while total fund balance represents 59.2% of that same amount.

The fund balance of the City of Owatonna's general fund increased by \$0.3 million during the current fiscal year. The key factors in this increase was staff vacancies in several departments in 2021.

The debt service fund has a fund balance of \$5.6 million, all of which is restricted for the payment of debt service. There was a decrease of \$0.2 million in fund balance during the year. The government collected \$1.3 million in debt service levy and \$0.6 million in assessments. \$1.7 million in debt was retired in 2021 plus \$0.5 million in interest costs. The debt service fund received a transfer of \$0.1 million from a non-major governmental fund which represented tax increment collected for the purpose of paying TIF bonds.

The capital projects fund has a fund balance of \$10.9 million, of which \$3.1 million is restricted for specific capital projects, \$6.6 million has been assigned for future capital projects and the council has committed \$1.2 million for specific capital projects. There was an increase of \$1.9 million in fund balance during the current year. This increase was due to the City issuing bonds for projects that were not completed during the year. The capital projects fund received improvement bond proceeds, including premium, of \$3.6 million in 2021.

The ARPA fund has a fund balance of \$0. The City received \$1.4 million in grant funds, of which \$1.3 million was considered unearned as of the end of the year.

There was a increase of \$0.2 million in fund balance for the nonmajor governmental funds in 2021. This was due to private donations received in these funds in 2021.

Proprietary funds. The City of Owatonna's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year was \$17.6 million for the sewer fund, \$3.3 million for the storm water fund, \$23.4 million for the municipal electric, water and gas utilities. The total change in net position was \$1.2 million for the sewer fund, \$2.3 million for the storm water fund, \$3.8 million for the municipal

electric, water and gas utilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Owatonna's business-type activities.

Budgetary Highlights

The current year budget included revenues equal to expenditures for the general fund. Actual expenditures were within the budgeted amount. Additional information on the budget can be found in note III.A. on page 60 of the basic financial statements.

Capital Assets and Debt Administration

Capital Assets. The City of Owatonna's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$217.1 million (net of accumulated depreciation). This investment in capital assets includes land and other rights, building, improvements, equipment, park facilities, roads, bridges, and utility systems. The total increase in the City of Owatonna's investment in capital assets for the current fiscal year was 5.8% (a 4.5% increase for governmental activities and a 6.9% increase for business-type activities).

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

- Vehicle acquisitions of \$1.2 million.
- Street reconstruction projects included the federally funded Bridge Street project, Truman Avenue and the Cedar Avenue streetscape project.
- The expansion of the WWTP incurred its initial charges in 2021, resulting in \$2.0 million in construction in progress.
- There were \$1.6 million in storm water improvements completed as part of the current year street improvement projects.
- Various system improvements were completed for the municipal water, electric and gas utilities at cost of \$14.0 million.

Capital Assets at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land and other rights	\$9.0	\$8.8	\$4.8	\$3.9	\$13.8	\$12.7
Buildings	26.1	25.7	47.6	47.6	73.7	73.3
Improvements	1.7	1.3			1.7	1.3
Equipment	17.9	16.4	18.3	17.4	36.2	33.8
Infrastructure	127.2	123.2	118.9	113.1	246.1	236.3
Construction in Progress	3.3	1.0	8.0	6.1	11.3	7.1
Subtotal	185.2	176.4	197.6	188.1	382.8	364.5
Accumulated depreciation	86.8	82.2	78.9	77.1	165.7	159.3
Capital assets, net	<u>\$98.4</u>	<u>\$94.2</u>	<u>\$118.7</u>	<u>\$111.0</u>	<u>\$217.1</u>	<u>\$205.2</u>

Additional information on the City's capital assets can be found in note IV.D. on pages 65-66 of the basic financial statements.

Long-term Debt. At year-end, the City had \$19.7 million in bonds and notes outstanding. There was \$3.2 million of debt issued in 2021. There was a total of \$2.7 million in debt retired during the year.

Debt Outstanding at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
G.O. Bonds	\$8.9	\$6.3			\$8.9	\$5.5
G.O. Improvement Bonds	5.3	6.3			5.3	7.1
G.O. Tax Increment Bonds	.4	.6			.4	.7
G.O. Revenue Bonds			\$2.8	\$3.2	2.8	3.6
Revenue Bonds			2.3	2.8	2.3	3.4
Total bonds payable	<u>\$14.6</u>	<u>\$13.2</u>	<u>\$5.1</u>	<u>\$6.0</u>	<u>\$19.7</u>	<u>\$19.2</u>

The City's bond rating is Aa2 from Moody's Investor Services. Other obligations include compensated absences. More detailed information on the City's long-term liabilities is presented in note IV.G. on pages 67-71 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of fund operating revenues or no less than 5 months of operating expenditures. The committed, assigned and unassigned fund balance of the general fund, which is the equivalent of "unrestricted fund balance" at the end of the current fiscal year equaled 52.8% of next years' budgeted expenditures.

Financial Contact

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

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CITY OF OWATONNA, MINNESOTA
Statement of Net Position
December 31, 2021

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Housing & Redevelopment Activities</u>	<u>Economic Development Activities</u>
ASSETS					
Cash and cash equivalents	\$11,250,305	\$16,657,156	\$27,907,461	\$291,358	\$353,044
Investments	19,455,245	28,467,695	47,922,940		1,400,000
Interest receivable	136,240		136,240		726
Taxes receivable - delinquent	267,028		267,028	3,592	
Accounts receivable	149,828	9,686,723	9,836,551	1,552	18,167
Assessments receivable	2,607,314	18,142	2,625,456		
Due from other governments	4,286,196		4,286,196	16,344	
Due from component units	1,848		1,848		
Inventories	55,873	1,057,396	1,113,269		
Land held for resale		1,483,046	1,483,046	184,208	2,696,660
Loans receivable	282,391		282,391	6,170	1,684,096
Prepaid items	151,436		151,436		
Internal balances	283,707	(283,707)			
Restricted assets:					
Cash and cash equivalents				104,419	
Other assets		660,266	660,266		
Net Pension Asset	2,006,830		2,006,830		
Capital assets:					
Land and land rights	8,961,581	4,780,319	13,741,900		246,851
Buildings	26,110,488	47,640,592	73,751,080	52,000	
Improvements other than buildings	1,653,271		1,653,271		
Equipment	17,874,786	18,273,956	36,148,742		
Infrastructure	127,226,659	118,889,818	246,116,477		
Construction in progress	3,336,128	8,026,496	11,362,624		
Less: accumulated depreciation	(86,770,180)	(78,947,732)	(165,717,912)	(18,993)	
Total assets	<u>139,326,974</u>	<u>176,410,166</u>	<u>315,737,140</u>	<u>640,650</u>	<u>6,399,544</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	7,082,219	2,659,351	9,741,570		
Other post-empl benefits related	162,251	20,220	182,471		
	<u>7,244,470</u>	<u>2,679,571</u>	<u>9,924,041</u>		

LIABILITIES					
Accounts payable	\$1,644,723	\$6,303,420	\$7,948,143	\$5,599	\$46,702
Retainage payable	446,999	11,897	458,896		
Accrued wages	444,882	320,667	765,549		
Accrued interest payable	171,140	35,749	206,889		
Deposits	89,500		89,500	24,617	
Surcharges payable	28,387		28,387		
Unearned revenue	1,346,865	433,886	1,780,751	4,000	
Due to other governments				8,678	
Due to primary government					1,848
Noncurrent liabilities:					
Due within one year	2,865,000	1,290,422	4,155,422		
Due in more than one year	15,006,838	5,370,813	20,377,651		
Accrued OPEB liability	702,826	231,501	934,327		
Net pension liability	5,994,821	3,677,009	9,671,830		
	<u>28,741,981</u>	<u>17,675,364</u>	<u>46,417,345</u>	<u>42,894</u>	<u>48,550</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	10,002,527	3,426,961	13,429,488		
Other post-empl benefits related	516,530	70,307	586,837		
Gain on bond refunding		23,048	23,048		
	<u>10,519,057</u>	<u>3,520,316</u>	<u>14,039,373</u>		
NET POSITION					
Net investment in capital assets	82,080,996	113,783,109	195,864,105	33,007	246,851
Restricted for:					
Library Hunewill	16,500		16,500		
Library memorials	529,376		529,376		
Net pension asset	2,006,830		2,006,830		
Debt service	7,627,093		7,627,093		
Dam repair	45,922		45,922		
Grant projects	21		21		
Capital projects	3,382,490		3,382,490		
Housing programs				74,123	
Economic development	55		55		6,019,197
Unrestricted	11,621,123	44,110,948	55,732,071	490,626	84,946
	<u>11,621,123</u>	<u>44,110,948</u>	<u>55,732,071</u>	<u>490,626</u>	<u>84,946</u>
Total Net Position	<u>\$107,310,406</u>	<u>\$157,894,057</u>	<u>\$265,204,463</u>	<u>\$597,756</u>	<u>\$6,350,994</u>

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

CITY OF OWATONNA, MINNESOTA
Statement of Activities
For the year ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$3,475,539	\$323,466	\$4,351	
Public safety	6,838,715	917,428	957,764	\$15,000
Public works	7,732,201	375,986	283,366	6,688,203
Culture and recreation	4,975,493	1,213,757	476,553	626,865
Housing & economic development	1,522,053	19,440		
Interest on long-term debt	395,235			
Total governmental activities	<u>24,939,236</u>	<u>2,850,077</u>	<u>1,722,034</u>	<u>7,330,068</u>
Business-type activities:				
Sewer	2,446,611	4,150,093		
Storm water	590,887	1,307,822		
Electric	40,046,387	43,340,773		
Water	3,617,865	4,721,999		
Gas	22,224,734	22,942,554		
Total business-type activities	<u>68,926,484</u>	<u>76,463,241</u>		
Total primary government	<u>\$93,865,720</u>	<u>\$79,313,318</u>	<u>\$1,722,034</u>	<u>\$7,330,068</u>
Component Units:				
Housing & redevelopment authority	\$1,117,389	\$47,644	\$1,042,267	
Economic development authority	509,909	110,343	267,726	
Component Unit	<u>\$1,687,298</u>	<u>\$157,987</u>	<u>\$1,309,993</u>	

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

Change in net position

Net position – beginning

Net position – ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Authority	Economic Development Authority
\$ (3,147,722)		\$ (3,147,722)		
(4,948,523)		(4,948,523)		
(384,646)		(384,646)		
(2,658,318)		(2,658,318)		
(1,502,613)		(1,502,613)		
(395,235)		(395,235)		
<u>(13,037,057)</u>		<u>(13,037,057)</u>		
	\$1,703,482	\$1,703,482		
	716,935	716,935		
	3,294,386	3,294,386		
	1,104,134	1,104,134		
	717,820	717,820		
	<u>7,536,757</u>	<u>7,536,757</u>		
			\$ (27,478)	\$ (131,840)
			<u>(27,478)</u>	<u>(131,840)</u>
14,748,909	317,938	15,066,847	185,468	185,000
335,187		335,187		197,623
4,791,022		4,791,022		
(41,936)	265,166	223,230	(865)	(801)
(730,983)	(1,543,755)	(1,543,755)		
<u>19,102,199</u>	<u>730,983</u>	<u>18,872,531</u>	<u>184,603</u>	<u>381,822</u>
	<u>(229,668)</u>			
6,065,142	7,307,089	13,372,231	157,125	249,982
101,245,264	150,586,968	251,832,232	440,631	6,101,012
<u>\$107,310,406</u>	<u>\$157,894,057</u>	<u>\$265,204,463</u>	<u>\$597,756</u>	<u>\$6,350,994</u>

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Major Funds

Governmental

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

American Rescue Plan Act (ARPA) Fund

This fund was established to account for financial resources received under the American Rescue Plan Act of 2021.

Proprietary

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

Sewer Fund

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

Storm Water Fund

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

Electric Fund

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

Water Fund

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

Gas Fund

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

CITY OF OWATONNA, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	\$3,197,032	\$3,064,196	\$2,020,935
Investments	9,425,245	2,500,000	5,250,000
Interest receivable	136,240		
Taxes receivable – delinquent	267,028		
Accounts receivable	114,397		30,453
Assessments receivable		2,244,552	362,762
Due from other funds	3,675		106,624
Due from other governments	275,068		4,011,128
Inventories	55,873		
Advance to other funds	121,136		886,168
Loans receivable			282,391
	<u>\$13,595,694</u>	<u>\$7,808,748</u>	<u>\$12,950,461</u>
LIABILITIES			
Accounts payable	\$666,762	\$6,251	\$766,121
Retainage payable			446,999
Accrued wages	444,882		
Surcharges payable	28,387		
Deposits	89,500		
Unearned revenue	16,750		51,000
Due to other funds	2,399	4,264	
Advance from other funds			121,136
Total liabilities	<u>1,248,680</u>	<u>10,515</u>	<u>1,385,256</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	195,399	2,162,884	635,699
Total deferred inflows of resources	<u>195,399</u>	<u>2,162,884</u>	<u>635,699</u>
FUND BALANCES			
Fund Balances			
Nonspendable:			
Inventories	55,873		
Advance to other funds	121,136		
Restricted for:			
Library Hunewill			
Library memorial			
Debt service		5,635,349	
Dam repair	45,922		
Airport programs	875		
Grant projects			
Capital projects			3,139,646
Economic development			
Committed for:			
Capital projects			1,226,804
Assigned for:			
Capital projects			6,563,056
Compensated absences/OPEB	3,004,811		
Unassigned	8,922,998		
Total fund balances	<u>12,151,615</u>	<u>5,635,349</u>	<u>10,929,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$13,595,694</u>	<u>\$7,808,748</u>	<u>\$12,950,461</u>

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

ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,404,554	\$720,236 900,000	\$10,406,953 18,075,245 136,240 267,028 144,850 2,607,314 110,299 4,286,196 55,873 1,007,304 282,391
<u>\$1,404,554</u>	<u>\$1,620,236</u>	<u>\$37,379,693</u>
\$125,380	\$6,197	\$1,570,711 446,999 444,882 28,387 89,500
1,279,115	7,550	1,346,865
	886,168	14,213
<u>1,404,495</u>	<u>899,915</u>	<u>1,007,304</u>
		<u>4,948,861</u>
		<u>2,993,982</u>
		<u>2,993,982</u>
		55,873
		121,136
	16,500	16,500
	529,376	529,376
		5,635,349
		45,922
		875
	21	21
59	1,067,170	4,206,816
	55	55
		1,226,804
		6,563,115
		3,004,811
	(892,801)	8,030,197
<u>59</u>	<u>720,321</u>	<u>29,436,850</u>
<u>\$1,404,554</u>	<u>\$1,620,236</u>	<u>\$37,379,693</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Balance Sheet of
Governmental Funds to the
Statement of Net Position
December 31, 2021

Fund balance – total governmental funds	\$29,436,850
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	94,080,407
Net Pension Asset is included in the Statement of Net Position.	2,006,830
Deferred pension outflows of \$7,082,219 and inflows of \$(10,002,527) are included in the Statement of Net Position.	(2,920,308)
Deferred other post-employment benefits outflows of \$162,251 and inflows of \$(516,530) are included in the Statement of Net Position	(354,279)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds.	(24,740,625)
Internal service fund assets and liabilities are included in governmental activities in the Statement of Net Position.	6,807,549
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	2,993,982
Net Position of Governmental Activities	<u><u>\$107,310,406</u></u>

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
REVENUES			
Taxes	\$11,730,555	\$1,261,710	\$784,000
Licenses and permits	407,850		
Intergovernmental revenue	6,143,056		6,358,477
Charges for service	1,770,835		
Fines and forfeits	146,250		
Special assessments		599,906	109,005
Interest on investments	(47,482)	(10,167)	17,382
Miscellaneous	387,441		472,854
Total revenues	<u>20,538,505</u>	<u>1,851,449</u>	<u>7,741,718</u>
EXPENDITURES			
Current:			
General government	3,174,338	8,181	
Public safety	7,876,675		
Public works	4,414,957		
Culture and recreation	4,682,111		
Housing & economic development	306,983		
Miscellaneous			50,364
Capital outlay	78,607		9,635,118
Debt service:			
Principal retired		1,750,000	
Interest and service charges		458,402	62,611
Total expenditures	<u>20,533,671</u>	<u>2,216,583</u>	<u>9,748,093</u>
Excess of revenues over (under) expenditures	<u>4,834</u>	<u>(365,134)</u>	<u>(2,006,375)</u>
OTHER FINANCING SOURCES (USES)			
Bond issuance			3,250,000
Premium on bonds			342,857
Transfers out	(340,000)		
Transfers in	623,350	147,850	340,000
Total other financing sources (uses)	<u>(283,350)</u>	<u>147,850</u>	<u>3,932,857</u>
Net change in fund balance	288,184	(217,284)	1,926,482
Fund balance - beginning	<u>11,863,431</u>	<u>5,852,633</u>	<u>9,003,024</u>
Fund balance – ending	<u>\$12,151,615</u>	<u>\$5,635,349</u>	<u>\$10,929,506</u>

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

ARPA Fund	Non-major Governmental Funds	Total Governmental Funds
	\$1,277,936	\$15,054,201
		407,850
\$125,380		12,626,913
		1,770,835
		146,250
		708,911
59	(1,728)	(41,936)
	232,090	1,092,385
<u>125,439</u>	<u>1,508,298</u>	<u>31,765,409</u>
		3,182,519
		7,876,675
		4,414,957
		4,682,111
125,380	1,117,687	1,424,670
	67,576	243,320
		9,713,725
		1,750,000
		521,013
<u>125,380</u>	<u>1,185,263</u>	<u>33,808,990</u>
<u>59</u>	<u>323,035</u>	<u>(2,043,581)</u>
		3,250,000
		342,857
	(147,850)	(487,850)
		1,111,200
	<u>(147,850)</u>	<u>4,216,207</u>
59	175,185	2,172,626
	545,136	27,264,224
<u>\$59</u>	<u>\$720,321</u>	<u>\$29,436,850</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended December 31, 2021

Net change in fund balances – total governmental funds	\$2,172,626
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$7,977,977) exceeded depreciation (\$4,248,956) in the current period.	3,729,021
Governmental funds report proceeds from the sale of capital assets, in the statement of activities only the gain or (loss) is reported	(11,354)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(167,749)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(1,842,857)
Net changes in the net pension asset/liability and the additions and amortization of deferred inflows and outflows related to pensions in the Statement of Activities.	1,650,652
Net changes in the net other post-employment benefits liability and the additions and amortization of deferred inflows and outflows related to other post-employment in the Statement of Activities.	34,717
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	205,632
The net revenue (expense) of the internal service funds is reported with governmental activities.	294,454
Change in Net Position of Governmental Activities	\$6,065,142

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the year ended December 31, 2021

	<u>Budget</u>		(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$11,756,348	\$11,756,348	\$11,730,555	\$(25,793)
Licenses and permits	390,325	390,325	407,850	17,525
Intergovernmental revenue	5,980,936	5,980,936	6,143,056	162,120
Charges for service	1,914,611	1,914,611	1,770,835	(143,776)
Fines and forfeits	187,950	187,950	146,250	(41,700)
Interest on investments	90,000	90,000	(47,482)	(137,482)
Miscellaneous	349,857	349,857	387,441	37,584
	<u>20,670,027</u>	<u>20,670,027</u>	<u>20,538,505</u>	<u>(131,522)</u>
EXPENDITURES				
Current:				
General government				
Mayor & council	333,927	333,927	232,264	101,663
Administrative services	1,813,529	1,813,529	1,805,651	7,878
City attorney	257,194	257,194	255,179	2,015
Government buildings	921,416	921,416	881,244	40,172
Total general government	<u>3,326,066</u>	<u>3,326,066</u>	<u>3,174,338</u>	<u>151,728</u>
Public safety				
Police	5,556,361	5,556,361	5,590,625	(34,264)
Fire	1,809,714	1,809,714	1,848,147	(38,433)
Building inspection	439,437	439,437	437,903	1,534
Total public safety	<u>7,805,512</u>	<u>7,805,512</u>	<u>7,876,675</u>	<u>(71,163)</u>
Public works				
Engineering	937,724	937,724	866,786	70,938
Street maintenance	3,292,351	3,292,351	3,089,009	203,342
Airport	436,259	436,259	459,162	(22,903)
Total public works	<u>4,666,334</u>	<u>4,666,334</u>	<u>4,414,957</u>	<u>251,377</u>
Culture and recreation				
Library	1,217,389	1,217,389	1,131,865	85,524
Park & rec administration	337,920	337,920	370,965	(33,045)
Park maintenance	1,556,896	1,556,896	1,494,422	62,474
Recreation – adult	96,001	96,001	50,896	45,105
Recreation – youth	421,277	421,277	336,083	85,194
Tennis & fitness center	251,318	251,318	187,729	63,589
Social commons	108,966	108,966	119,759	(10,793)
Aquatic center	266,827	266,827	317,389	(50,562)
Brooktree golf course	589,187	589,187	673,003	(83,816)
Total culture and recreation	<u>4,845,781</u>	<u>4,845,781</u>	<u>4,682,111</u>	<u>163,670</u>
Housing & economic development				
Planning & zoning	309,684	309,684	306,983	2,701
Total housing & economic develop	<u>309,684</u>	<u>309,684</u>	<u>306,983</u>	<u>2,701</u>

(Continued)

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund (Continued)
For the year ended December 31, 2021

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$0	\$0	\$78,607	\$(78,607)
Total expenditures	<u>20,953,377</u>	<u>20,953,377</u>	<u>20,533,671</u>	<u>419,706</u>
Excess of revenues over (under) expenditures	(283,350)	(283,350)	4,834	(288,184)
OTHER FINANCING SOURCES (USES)				
Transfers out	(340,000)	(340,000)	(340,000)	
Transfers in	<u>623,350</u>	<u>623,350</u>	<u>623,850</u>	
Total other financing sources and uses	<u>283,350</u>	<u>283,350</u>	<u>(283,350)</u>	
Net change in fund balance			288,184	(288,184)
Fund balance – beginning	<u>11,863,431</u>	<u>11,863,431</u>	<u>11,863,431</u>	
Fund balance – ending	<u><u>11,863,431</u></u>	<u><u>11,863,431</u></u>	<u><u>12,151,615</u></u>	<u><u>(288,184)</u></u>

CITY OF OWATONNA, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$1,552,523	\$935,417	\$6,005,103
Investments	15,900,000	2,400,000	2,698,161
Accounts receivable	41,389		4,205,951
Assessments receivable	18,142		
Due from other funds	751,033	105,000	14,213
Inventories at cost			808,828
Other assets			1,309,048
Total current assets	18,263,087	3,440,417	15,041,304
Noncurrent assets:			
Capital assets – net	23,574,800	12,914,897	46,022,041
Land held for future use			
Total noncurrent assets	23,574,800	12,914,897	46,022,041
Total assets	41,837,887	16,355,314	61,063,345
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	218,566	38,231	1,097,115
Other post-employment benefits related	10,356		4,439
Total deferred outflows of resources	228,922	38,231	1,101,554
LIABILITIES			
Current liabilities:			
Accounts payable	342,348	27,146	3,486,366
Retainage payable	11,897		
Accrued wages	24,643	4,122	178,842
Accrued interest payable	11,986	23,763	
Due to other funds			893,220
Unearned revenue			264,023
Accrued compensated absences	110,000		113,671
Notes and bonds payable – net	558,000	430,000	
Total current liabilities	1,058,874	485,031	4,936,122
Noncurrent liabilities:			
Notes and bonds payable – net	1,721,928	2,482,176	
Net pension liability	319,981	55,972	1,670,211
Accrued compensated absences	16,968	3,758	690,558
Accrued OPEB liability	44,861		83,988
Total noncurrent liabilities	2,103,738	2,541,906	2,444,757
Total liabilities	3,162,612	3,026,937	7,380,879
DEFERRED INLFOWS OF RESOURCES			
Pension related	303,690	53,121	1,393,087
Other post-employment benefits related	32,971		16,801
Gain on refunding		23,048	
Total deferred inflows of resources	336,661	76,169	1,409,888
NET POSITION			
Net investment in capital assets	20,950,419	9,998,672	46,022,041
Unrestricted	17,617,117	3,291,767	7,352,091
Total net position	\$38,567,536	\$13,290,439	\$53,374,132

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

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

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
\$3,542,397	\$4,621,716	\$16,657,156	\$843,352
1,350,046	6,119,488	28,467,695	1,380,000
440,308	4,999,075	9,686,723	4,978
		18,142	
		870,246	
52,588	195,980	1,057,396	
48,551	125,447	1,483,046	151,436
<u>5,433,890</u>	<u>16,061,706</u>	<u>58,240,404</u>	<u>2,379,766</u>
21,155,724	14,995,987	118,663,449	4,312,326
	660,266	660,266	
<u>21,155,724</u>	<u>15,656,253</u>	<u>119,323,715</u>	<u>4,312,326</u>
<u>26,589,614</u>	<u>31,717,959</u>	<u>177,564,119</u>	<u>6,692,092</u>
525,985	779,454	2,659,351	
2,170	3,255	20,220	
<u>528,155</u>	<u>782,709</u>	<u>2,679,571</u>	
295,522	2,152,038	6,303,420	74,012
		11,897	
47,744	65,316	320,667	
		35,749	
73,112		966,332	
56,524	113,339	433,886	
30,222	48,529	302,422	
		988,000	
<u>503,124</u>	<u>2,379,222</u>	<u>9,362,373</u>	<u>74,012</u>
697,544	933,301	4,204,104	
178,975	276,450	3,677,009	
41,061	61,591	1,162,951	
<u>917,580</u>	<u>1,271,342</u>	<u>231,501</u>	
<u>1,420,704</u>	<u>3,650,564</u>	<u>9,279,323</u>	<u>74,012</u>
673,157	1,003,906	4,204,104	
8,214	12,321	3,677,009	
		1,162,951	
<u>681,371</u>	<u>1,016,227</u>	<u>231,501</u>	
21,155,724	15,646,253	113,783,109	4,312,326
3,859,970	12,177,624	44,298,569	2,305,754
<u>\$25,015,694</u>	<u>\$27,833,877</u>	158,081,678	<u>\$6,618,080</u>
		(187,621)	
		<u>\$157,894,057</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2021

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
OPERATING REVENUES:			
Charges for service	\$4,149,474	\$1,307,822	\$43,340,773
Miscellaneous	619		
Total operating revenues	4,150,093	1,307,822	43,340,773
OPERATING EXPENSES:			
Operation and maintenance	1,287,167	197,581	34,838,951
Depreciation	1,010,357	370,907	2,021,352
Utility service contributed to city			1,064,210
Capitalized internal costs			
Administrative costs	108,394		2,121,874
Total operating expenses	2,405,918	568,488	40,046,387
Operating income (loss)	1,744,175	739,334	3,294,386
Non-operating revenues (expenses)			
Property taxes		317,938	
Gain/(loss) on capital assets			(1,568,799)
Income (loss) on investments	(5,230)	(3,290)	70,142
Compensation for loss of capital assets			
Interest expense and fiscal charges	(37,378)	(22,334)	
Total non-operating revenues (expenses)	(42,608)	292,314	(1,498,657)
Income (loss) before contributions & transfers	1,701,567	1,031,648	1,795,729
Capital contributions		1,354,333	
Transfer out	(544,845)	(78,505)	
Total contributions & transfers	(544,845)	1,275,828	
Change in net position	1,156,722	2,307,476	1,795,729
Total net position – beginning	37,410,814	10,982,963	51,578,403
Total net position – ending	\$38,567,536	\$13,290,439	\$53,374,132
Change in net position reflected above			
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Change in Net Position of Business-type Activities			

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

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
\$4,721,999	\$22,942,554	\$76,462,622	\$3,332,840
<u>4,721,999</u>	<u>22,942,554</u>	<u>76,463,241</u>	<u>3,332,840</u>
1,717,097	19,335,933	57,376,729	2,475,373
515,764	576,053	4,494,433	789,447
166,472	308,013	1,538,695	
<u>1,218,532</u>	<u>2,004,735</u>	<u>5,453,535</u>	
<u>3,617,865</u>	<u>22,224,734</u>	<u>68,863,392</u>	<u>3,264,820</u>
<u>1,104,134</u>	<u>717,820</u>	<u>7,599,849</u>	<u>68,020</u>
		317,938	
24,995	49	(1,543,755)	14,454
54,663	148,881	265,166	
			208,600
		<u>(59,712)</u>	
<u>79,658</u>	<u>148,930</u>	<u>(1,020,363)</u>	<u>223,054</u>
1,183,792	866,750	6,579,486	291,074
		1,354,333	9,193
		<u>(623,350)</u>	
		<u>730,983</u>	<u>9,193</u>
1,183,792	866,750	7,310,469	300,267
23,831,902	26,967,127	150,771,209	6,317,813
<u>\$25,015,694</u>	<u>\$27,833,877</u>	<u>\$158,081,678</u>	<u>\$6,618,080</u>
		\$7,310,469	
		<u>(3,380)</u>	
		<u>\$7,307,089</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2021

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$4,158,348	\$1,302,822	\$40,448,942
Cash payments to suppliers for goods and services	(434,989)	(77,138)	(37,483,183)
Cash payments to employees for services	(720,831)	(121,669)	(912,249)
Other cash receipts			2,813,433
Net cash provided by (used for) operating activities	<u>3,002,528</u>	<u>1,104,015</u>	<u>4,866,943</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	<u>(544,845)</u>	<u>(78,505)</u>	
Net cash provided by (used for) noncapital financing activities	<u>(544,845)</u>	<u>(78,505)</u>	
CASH FLOWS FROM CAPITAL AND REL. FIN. ACTIVITIES			
Acquisition of capital assets	(2,838,838)	(620,255)	(5,058,670)
Disposition of capital assets			33,317
Taxes levied for debt service		317,938	
Principal paid on revenue bonds/notes payable	(550,000)	(410,000)	
Interest expense and fiscal charges	<u>(40,269)</u>	<u>(67,487)</u>	
Net cash used for capital and rel. fin. activities	<u>(3,429,107)</u>	<u>(779,804)</u>	<u>(5,025,353)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		(700,000)	(1,550,000)
Proceeds from sale of investment securities	2,000,000		1,941,114
Interest on investments	<u>(5,230)</u>	<u>(3,290)</u>	<u>108,980</u>
Net cash provided by (used for) investing activities	<u>1,994,770</u>	<u>(703,290)</u>	<u>500,094</u>
Net increase (decrease) in cash and cash equivalents	1,023,346	(457,584)	341,684
Cash and cash equivalents – beginning of the year	<u>529,177</u>	<u>1,393,001</u>	<u>5,663,419</u>
Cash and Cash Equivalents – end of the year	<u>\$1,552,523</u>	<u>\$935,417</u>	<u>\$6,005,103</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income(loss)	\$1,744,175	\$739,334	\$3,294,386
Adjustments			
Depreciation	1,010,357	370,907	2,021,352
Net changes in assets and deferred outflows and liabilities and deferred inflows:			
Accounts receivable	5,242	(5,000)	(117,646)
Assessments receivable	5,943		
Inventories at cost			(164,937)
Other current assets	(2,930)		26,971
Deferred outflows	(186,726)	(32,651)	(914,482)
Accounts payable and accrued expenses	291,533	6,865	(73,894)
Unearned revenue			(16,798)
Net pension liability	(153,178)	(24,198)	(470,542)
OPEB and compensated absences	18,354	558	(13,577)
Deferred inflows	<u>269,758</u>	<u>48,200</u>	<u>1,296,110</u>
Net cash provided by (used for) operating activities	<u>\$3,002,528</u>	<u>\$1,104,015</u>	<u>\$4,866,943</u>
Noncash investing, capital, and financing activities:			
Amortization of gain on refunding		\$(10,637)	
Amortization of bond premium		(30,416)	
Loss on disposition of capital assets			\$1,602,116
Change in fair value of investments			(17,499)
Capital Contribution		1,354,333	
Retainage/Assets purchased on account with contracts payable			33,512

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

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Enterprise Funds	Internal Service Funds
\$4,227,284	\$19,351,475	\$69,488,871	\$3,331,390
(3,100,646)	(20,324,208)	(61,420,164)	(1,737,953)
(228,464)	(731,477)	(2,714,690)	
470,587	534,674	3,818,694	
<u>1,368,761</u>	<u>(1,169,536)</u>	<u>9,172,711</u>	<u>1,593,437</u>
		(623,350)	
		(623,350)	
(1,941,865)	(1,797,300)	(12,256,928)	(1,262,081)
24,995	49	58,361	226,500
		317,938	
		(960,000)	
		(107,756)	
<u>(1,916,870)</u>	<u>(1,797,251)</u>	<u>(12,948,385)</u>	<u>(1,035,581)</u>
(50,000)	(796,164)	(3,096,164)	(100,000)
2,079,390	4,117,552	10,138,056	
102,391	257,901	460,752	
<u>2,131,781</u>	<u>3,579,289</u>	<u>7,502,644</u>	<u>(100,000)</u>
1,583,672	612,502	3,103,602	457,856
1,958,725	4,009,214	13,553,536	385,496
<u>\$3,542,397</u>	<u>\$4,621,716</u>	<u>\$16,657,156</u>	<u>\$843,352</u>
\$1,104,134	\$717,820	\$7,599,849	\$68,020
515,764	576,053	4,494,433	789,447
3,410	(1,153,083)	(1,267,077)	(1,450)
(6,566)	(40,962)	5,943	
21,481	(1,876,528)	(212,465)	
(446,727)	(670,090)	(1,831,006)	718,037
(166,062)	729,272	(2,250,676)	
(51,880)	(44,826)	787,714	19,383
(230,043)	(345,065)	(113,504)	
(6,637)	(9,957)	(1,223,026)	
631,887	947,830	(11,259)	
<u>\$1,368,761</u>	<u>\$(1,169,536)</u>	<u>3,193,785</u>	
		\$(10,637)	
		(30,416)	
(14,610)	(29,394)	1,602,116	
		(61,503)	
		1,354,333	
73,112		18,044	
		106,624	

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CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Individual Component Unit Disclosures

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

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

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

B. Basic Financial Statements

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

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

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

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

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

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

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

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

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

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

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

The City reports the following major governmental funds:

General fund

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

Debt service fund

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

Capital projects fund

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

ARPA fund

This fund accounts for the financial resources received by the American Rescue Plan Act of 2021.

The City reports the following major proprietary funds:

Sewer fund

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

Storm water fund

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

Electric fund

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

Water fund

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

Gas fund

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

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

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

2. Property Tax Receivables

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

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

3. Special Assessments

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

4. Interfund Receivables and Payables

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

5. Inventories and Prepaid Items

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

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

6. Restricted Assets

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

7. Land Held for Resale

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

8. Capital Assets

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

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

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

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

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

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

Electric and Gas Utility Plant is recorded at original cost. Water Utility Plant is recorded at cost less funds provided from municipal special assessments. When units of property are sold, retired or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense. Contributions in aid of construction are reported as contributed capital on the statement of revenues, expenses, and changes in net position. Contributions are considered in the Utilities' ratemaking process.

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

9. Credit Risk

As of December 31, 2021 the enterprise funds had no significant concentration of credit risk with respect to consumer accounts receivable due to the large number of customers and their dispersion across many different residential and industrial customers.

During the year ended December 31, 2021, approximately 20.17% of the total Electric Utility Commodity revenue was accounted from Viracon, Inc. During the year ended December 31, 2021, approximately 10.5% of the Water Utility Commodity revenue was accounted from Lakeside Foods.

10. Deferred Inflows of Resources

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

11. Pension

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

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

12. Other Post-employment Benefits

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

13. Deferred Outflows of Resources

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

14. Compensated Absences

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

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

15. Long-term Obligations

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

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

16. Fund Balance/Net Position

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

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

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2021

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

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

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

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

17. Use of Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$24,740,625) difference are as follows:

Bonds, notes, and leases payable	\$(15,924,132)
Net Pension liability	(5,994,821)
Accrued OPEB liability	(702,826)
Accrued compensated absences	(1,947,706)
Accrued interest payable	<u>(171,140)</u>
 Total difference	 <u><u>\$(24,740,625)</u></u>

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

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

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One element of that reconciliation explains that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(167,749) difference are as follows:

Delinquent taxes rec. unavailable revenue:	
At December 31, 2020	\$(165,504)
At December 31, 2021	195,399
Special assessments/development receivable unavailable revenue:	
At December 31, 2020	(2,996,227)
At December 31, 2021	<u>2,798,583</u>
	<u><u>\$(167,749)</u></u>

Another element of that reconciliation states that “Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.” The details of this \$205,632 difference are as follows:

Amortization of bond premium	\$134,649
Change in accrued interest	(8,871)
Change in accrued compensated absences	<u>79,854</u>
	<u><u>\$205,632</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the City. Only the General Fund’s budget is considered an “annually legally adopted budget”. The remaining funds’ budgets are used as a management tool. The debt service funds are budgeted according to the terms of the original bond issues. Project-length financial plans are adopted for all capital projects funds. Any modification in the adopted budget can be made upon request of and approval by the City Council. Appropriations in all funds lapse at the end of the year. There were no amendments made to the adopted budget in 2021.

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

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

B. Deficit Fund Balance

At year-end 2021, there were four funds that carried deficit fund balances. Four funds were tax increment financing funds that were funded by the City through interfund loans. These deficit fund balances will be reduced and eliminated over time as increment from the levies are used to retire the various loans.

The following funds carried deficit fund balances at the end of 2021 in the amounts indicated:

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TIF 3-6 Viracon Economic Development Fund	\$24,707
TIF 3-8 Daikin Applied Economic Development Fund	52,405
TIF 3-14 Bosch Economic Development Fund	333,200
TIF 14-1 Eastgate Redevelopment Fund	482,489

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. Authorized collateral includes U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118A.03. Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

The City's deposits in banks at December 31, 2021 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments

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

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Repurchase or reverse repurchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- h. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, and with a credit quality in one of the top two rating highest categories.

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The City's investments, including its component units as of December 31, 2021 are as follows:

Type of Investment	Credit Quality Rating	Amount	Investment Maturity in Years			
			< 1 Year	1-5 Years	6-10 Years	> 10 years
US Govt Agencies	AAA	\$14,760,665	\$1,499,625	\$11,710,920	\$500,465	\$1,049,655
US Govt Agencies	N/R	8,024				8,024
Local Govt Obligations	AAA	6,560,170	1,920,855	3,983,234	656,081	
Local Govt Obligations	AA2	10,562,483	3,368,044	7,194,439		
Local Govt Obligations	AA3	2,774,363	2,318,825	455,538		
Local Govt Obligations	AA+	477,033	477,033			
Local Govt Obligations	A	506,480	506,480			
Pooled Investments	N/A	3,482		667	2,815	
4M Fund Liquid Asset Fund	N/A	6,289,184	6,289,184			
4M Fund PLUS Fund	N/A	7,846,249	7,846,249			
Wells Fargo Adv MM	N/A	22,311	22,311			
Bremer Bank MM	N/A	1,048,195	1,048,195			
Profinium	N/A	175,925	175,925			
Negotiable CDs	N/A	13,583,335	4,658,954	8,924,381		
		<u>\$64,617,899</u>	<u>\$30,131,680</u>	<u>\$32,269,179</u>	<u>\$1,159,361</u>	<u>\$1,057,679</u>

Reconciliation of deposits and investments to Statement of Net Position:

	Primary Government	EDA	HRA	Total Reporting Entity
Cash on hand	\$3,635			\$3,635
Deposits	12,608,867	\$353,044	\$395,777	13,357,688
Investments	63,217,899	1,400,000		64,617,899
Total deposits and investments	<u>\$75,830,401</u>	<u>\$1,753,044</u>	<u>\$395,777</u>	<u>\$77,979,222</u>
<u>Per Statement of Net Position:</u>				
Cash and cash equivalents	\$27,907,461	\$353,044	\$291,162	\$28,551,667
Investments	47,922,940	1,400,000		49,322,940
Restricted cash & cash equivalents			104,615	104,615
Total cash and investments	<u>\$75,830,401</u>	<u>\$1,753,044</u>	<u>\$395,777</u>	<u>\$77,979,222</u>

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

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

Concentration risk. The City does not have a formal policy limiting the amount of the portfolio that may be invested in any one depository or issuer. The following investments represent at least 5% of the City's investment portfolio: Federal Farm Credit Bank, Federal Home Loan Bank, and Minnesota Municipal Money Market.

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
US Govt Agencies		\$14,768,689		\$14,768,689
Local Govt Obligations		20,880,529		20,880,529
Negotiable CDs		13,583,335		13,583,335
US Govt Agency pools		3,482		3,482
Total		\$49,236,035		\$49,236,035

Assets of the City measured at amortized cost:

4M Fund Liquid Asset Fund	\$6,289,184
4M Fund PLUS Fund	7,846,249
Wells Fargo Advisors Money Market Fund	22,311
Bremer Bank Money Market Fund	1,048,195
Profinium Money Market Fund	175,925
Total	\$15,381,864

The City's investment with the 4M Funds are regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Funds are an unrated external investment pool and the fair value of the position in the pool is the same as the value of the shares. The pools are valued at amortized cost. There are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund 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 7 days interest on the amount withdrawn.

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B. Receivables

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

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the three components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (general fund) of \$195,399; special assessments receivable not yet available (debt service fund and capital projects fund) of \$2,516,192; and a development receivable not yet available (capital projects fund) of \$282,391.

C. Loans Receivable

The Capital Projects Fund has entered into various development agreements with local businesses to finance public improvements. The balance of these loans at December 31, 2021 was \$282,391 and is offset by an unavailable revenue. These loans mature in 10-25 years.

Discretely Presented Component Unit

The EDA Loan Fund has made loans to local businesses with various terms and interest rates for repayment. The balance of these loans at December 31, 2021 was \$107,703 which consists of loans maturing in one to seven years with interest ranging from 0 to 5.25 percent. These notes are secured by property, equipment and personal guarantees.

The EDA Loan Fund has made eighteen loans to local businesses with certain conditions attached which would then make the loans forgivable. These loans are not considered receivable and are not included in the loans receivable balance at December 31, 2021. The balance of these forgivable loans was \$340,582 at December 31, 2021.

The EDA Land Fund has entered into various development agreements with local businesses to finance the sale of property to the developer. The balance of these loans at December 31, 2021 was \$1,576,393 which consists of loans maturing in 21 to 25 years all with interest rates of 3 percent.

The HRA issues notes as their contribution to SCDP housing rehab program. These notes consist of \$1,000 per housing unit. They are deferred for a period of 7 years. The notes will be forgiven as long as the owner continues to rent to low income residents and maintains ownership for the 7 years. If the owner sells before the 7 years the note will need to be repaid in full. These notes are not considered receivable and are not included in the Statement of Net Position. The balance of these notes at December 31, 2021 is \$9,000.

The HRA works with local community housing agencies to provide emergency fix-up deferred loans for home improvements that resolve code emergency deficiencies, energy efficiency, or improve accessibility. The maximum amount of each loan is \$5,000. They are deferred until the property is sold or transferred. The balance of these notes at December 31, 2021 is \$6,170.

CITY OF OWATONNA, MINNESOTA
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D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$8,830,867	\$130,714		\$8,961,581
Construction in Progress	1,028,484	6,039,255	\$3,731,611	3,336,128
Total Non-depreciable	<u>9,859,351</u>	<u>6,169,969</u>	<u>3,731,611</u>	<u>12,297,709</u>
Depreciable capital assets:				
Buildings	25,690,060	420,428		26,110,488
Improvements Other than Bldgs	1,251,505	427,046	25,280	1,653,271
Equipment	16,380,537	1,914,097	419,848	17,874,786
Infrastructure	123,186,530	4,040,129		127,226,659
Total depreciable	<u>166,508,632</u>	<u>6,801,700</u>	<u>445,128</u>	<u>172,865,204</u>
Accumulated Depreciation				
Buildings	12,724,532	669,968		13,394,500
Improvements Other than Bldgs	512,151	95,947	25,280	582,818
Equipment	10,313,744	1,141,195	405,048	11,049,891
Infrastructure	58,611,678	3,131,293		61,742,971
Total accumulated depreciation	<u>82,162,105</u>	<u>5,038,403</u>	<u>430,328</u>	<u>86,770,180</u>
Govtl activities capital assets, net	<u>\$94,205,878</u>	<u>\$7,933,266</u>	<u>\$3,746,411</u>	<u>\$98,392,733</u>

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

General government	\$295,135
Public safety	160,492
Public works	3,270,814
Culture and recreation	522,515
Internal service funds	789,447
Total depreciation for governmental activities	<u>\$5,038,403</u>

Capital asset activity for business-type activities for the year ended December 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and other rights	\$3,929,627	\$850,692		\$4,780,319
Construction in Progress	6,089,757	8,158,458	\$6,221,719	8,026,496
Total Non-depreciable	<u>10,019,384</u>	<u>9,009,150</u>	<u>6,221,719</u>	<u>12,806,815</u>
Depreciable capital assets:				
Buildings	47,567,202	73,390		47,640,592
Equipment	17,438,823	1,373,409	538,276	18,273,956
Infrastructure	113,130,820	9,483,655	3,724,657	118,889,818
Total depreciable	<u>178,136,845</u>	<u>10,930,454</u>	<u>4,262,933</u>	<u>184,804,366</u>
Accumulated Depreciation				
Buildings	16,946,898	949,012		17,895,910
Equipment	13,395,864	512,201	511,240	13,396,825
Infrastructure	46,771,354	3,033,220	2,149,577	47,654,997
Total accumulated depreciation	<u>77,114,116</u>	<u>4,494,433</u>	<u>2,660,817</u>	<u>78,947,732</u>
Business-type activities capital assets, net	<u>\$111,042,113</u>	<u>\$15,445,171</u>	<u>\$7,823,835</u>	<u>\$118,663,449</u>

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

Sewer	\$1,010,357
Storm water	370,907
Electric	2,021,352
Water	515,764
Gas	576,053
Total depreciation for business-type activities	\$4,494,433

Discretely Presented Component Units

Capital asset activity for the component units was as follows:

Economic Development Authority

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$246,851			\$246,851

Housing and Redevelopment Authority

	Beginning Balances	Increases	Decreases	Ending Balances
Buildings	\$52,000			\$52,000
Accumulated Depreciation	17,928	\$1,065		18,993
Capital assets, net	\$34,072	\$1,065		\$33,007

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

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

The composition of interfund balances as of December 31, 2021 is as follows:

Due to/from other funds

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

	General Fund	Capital Projects Fund	Sewer Fund	Storm Water Fund	Electric Fund	Total
Due from:						
General Fund					\$2,399	\$2,399
Debt Service Fund					4,264	4,264
Nonmajor Govtl Funds					7,550	7,550
Electric Fund	\$3,675	\$33,512	\$751,033	\$105,000		893,220
Water Fund		73,112				73,112
Total Due to:	\$3,675	\$106,624	\$751,033	\$105,000	\$14,213	\$980,545

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Advance to/from other funds

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from:			
Capital Projects Fund	\$121,136		\$121,136
Nonmajor Govtl Funds		\$886,168	886,168
Total Due to:	<u>\$121,136</u>	<u>\$886,168</u>	<u>\$1,007,304</u>

Due to/from primary government and component units

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

Interfund transfers

	<u>General Fund</u>	<u>Nonmajor Govtl Funds</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Transfers In:					
General Fund			\$544,845	\$78,505	\$623,350
Debt Service Fund		\$147,850			147,850
Capital Projects Fund	\$340,000				340,000
Total Transfers Out	<u>\$340,000</u>	<u>\$147,850</u>	<u>\$544,845</u>	<u>\$78,505</u>	<u>\$1,111,200</u>

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

Capital contributions from the governmental activities to the business-type activities are reported as transfers on the statement of activities.

Capital Contributions

Occasionally, the acquisitions of capital assets for business-type activities are funded by governmental activities. These capital contributions totaled \$1,354,333 in 2021.

G. Long-term Debt

General Obligation Bonds

General obligation bonds are issued to provide for the acquisition of major capital equipment. These bonds are direct obligations and are backed by the full faith and credit of the City. Five general obligation bonds with an original issue amount of \$10,005,000 are currently outstanding as follows:

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G.O. Equipment Certificates Series 2016A	2022-2022	3.00%	50,000
G.O. Equipment Certificates Series 2017A	2022-2025	3.00%	85,000
G.O. Street Reconstruction Series 2018A	2022-2029	3.00-5.00%	4,010,000
G.O. Street Reconstruction Series 2020A	2022-2031	2.00-4.00%	1,545,000
G.O. Street Reconstruction Series 2021A	2023-2032	1.00-4.00%	3,250,000
			\$8,940,000

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

Year	Governmental Activities	
	Principal	Interest
2022	\$635,000	\$309,737
2023	895,000	275,460
2024	925,000	234,660
2025	960,000	192,385
2026	975,000	148,785
2027-2031	4,190,000	241,325
2032	360,000	1,980
	\$8,940,000	\$1,404,332

General Obligation Improvement Bonds

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. Six bond issues with a total original issue amount of \$11,090,000 are currently outstanding as follows:

G.O. Improvement Series 2011A	2022-2022	2.00-2.200%	\$70,000
G.O. Improvement Series 2013A	2022-2024	2.00-2.750%	825,000
G.O. Improvement Series 2015A	2022-2026	2.50-3.000%	670,000
G.O. Improvement Series 2016A	2022-2027	2.00-3.000%	660,000
G.O. Improvement Series 2017A	2022-2028	2.00-3.000%	1,330,000
G.O. Improvement Series 2019A	2022-2030	4.00-5.000%	1,740,000
			\$5,295,000

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

Year	Governmental Activities	
	Principal	Interest
2022	\$925,000	\$164,026
2023	870,000	134,949
2024	895,000	105,619
2025	625,000	79,868
2026	510,000	39,893
2027-2031	1,470,000	102,341
	\$5,295,000	\$626,696

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G.O. Tax Increment Bonds

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

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

Governmental Activities			
Tax Increment Bonds Series 2013A	2022-2024	2.25-2.75%	\$405,000

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

Year	Governmental Activities	
	Principal	Interest
2022	\$130,000	\$9,187
2023	135,000	5,707
2024	140,000	1,925
Total	\$405,000	\$16,819

G.O. Revenue Bonds

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

The City's outstanding notes from direct borrowings related to business-type activities in the sewer fund of \$2,279,928 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 105 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of \$2,279,928 contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. These bonds had an original issue amount of \$7,929,333 and are fully payable from the revenues of the sewer fund.

The general obligation revenue bonds currently outstanding are as follows:

Business-type Activities			
Direct borrowing - MPFA Revenue Bonds			
Series 2011	2022-2025	1.423%	\$2,279,928
Revenue Bonds Series 2016A	2022-2032	2.00-3.00%	1,950,000
Revenue Bonds Series 2016A – Refunding	2022-2024	3.00%	835,000
			\$5,064,928

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

Years	Business-type Activities				Totals
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	
2022	\$430,000	\$64,838	\$558,000	\$32,444	\$1,085,282
2023	435,000	51,863	566,000	24,503	1,077,366
2024	450,000	38,588	574,000	16,449	1,079,037
2025	170,000	29,286	581,928	8,281	789,495
2026	170,000	25,038			195,038
2027-2031	930,000	69,587			999,587
2032	200,000	2,250			202,250
Total	<u>\$2,785,000</u>	<u>\$281,450</u>	<u>\$2,279,928</u>	<u>\$81,677</u>	<u>\$5,428,055</u>

Change in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. Bonds	\$6,275,000	\$3,250,000	\$585,000	\$8,940,000	\$635,000
G.O. Tax Increment Bonds	535,000		130,000	405,000	130,000
G.O. Improvement Bonds	6,330,000		1,035,000	5,295,000	925,000
Less: bond discount	(1,599)		(1,599)		
Plus: bond premium	1,077,523	342,857	136,248	1,284,132	
Total bonds payable	<u>14,215,924</u>	<u>3,592,857</u>	<u>1,884,649</u>	<u>15,924,132</u>	<u>1,690,000</u>
Capital Leases Payable					
Accrued Compensated Absences Governmental Activity	<u>2,027,560</u>	<u>1,151,427</u>	<u>1,231,281</u>	<u>1,947,706</u>	<u>1,175,000</u>
Long-term liabilities	<u>\$16,243,484</u>	<u>\$4,744,284</u>	<u>\$3,115,930</u>	<u>\$17,871,838</u>	<u>\$2,865,000</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
G.O. Revenue Bonds	\$3,195,000		\$410,000	\$2,785,000	\$430,000
Notes from direct borrowings and direct placements	2,829,928		550,000	2,279,928	558,000
Plus: bond premium	157,592		30,415	127,177	
Total notes & bonds payable	<u>6,182,520</u>		<u>990,415</u>	<u>5,192,105</u>	<u>988,000</u>
Accrued Compensated Absences Business-type Activity	<u>1,587,121</u>	<u>\$413,061</u>	<u>531,051</u>	<u>1,469,130</u>	<u>302,422</u>
Long-term liabilities	<u>\$7,769,641</u>	<u>\$413,061</u>	<u>\$1,521,466</u>	<u>\$6,661,235</u>	<u>\$1,290,422</u>

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

CITY OF OWATONNA, MINNESOTA
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Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there were eight outstanding bond issues with an original issue amount of \$39,680,545 and a balance of \$32,580,472.

H. Tax Abatements

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development, housing, and redevelopment within the City as authorized under Minnesota Statute 469.174. The City reaches agreements with the business related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. The increment taxes are based on the increase of the property's value after the improvements are made. The school district and the county have also abated their portion of the tax increment following the improvements. The agreements call for 90-99% of the property tax increments collected to be paid to reimburse development costs less administrative fees. The City currently has twenty four tax increment financing districts which includes ten economic development districts which end between December 31, 2022-December 31, 2030; two housing and redevelopment districts which end between December 31, 2023-December 31, 2042; and twelve redevelopment districts which end between December 31, 2031-December 31, 2047. For the year ended December 31, 2021, the City paid tax increment in the amount of \$1,277,936. No other commitments were made by the City as part of these agreements.

V. OTHER INFORMATION

A. Risk Management

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

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

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

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

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

B. Commitments and Contingent Liabilities

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

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

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$4,113,507 at December 31, 2021.

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

Capacity Purchase Agreement – On September 1, 1991, the Electric Utility entered into a Capacity Purchase Agreement with SMMPA. Under this agreement, the Utility has agreed to dedicate a gas fired electric generating facility owned by the Electric Utility for SMMPA's exclusive use. On December 27, 2017, the Electric Utility entered into a second amended and restated capacity purchase agreement with SMMPA. This agreement now states that SMMPA will manage the daily operations. Owatonna Public Utilities is now compensated based on the capacity of the unit, which involves lump-sum payments throughout the year. The contract remains in effect until the date five years after written notice of termination by either party or until retirement of the facility. On March 26, 2019, SMMPA notified Owatonna Public Utilities that they were going to make repairs to the unit. With that, Owatonna Public Utilities is foregoing the capacity payment form SMMPA until they have recovered the investment that was made to the unit. This is expected to be finished in early 2024.

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

Gas Purchase Commitment – The Gas Utility has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Gas Utility enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Gas Utility is committed to purchase 3,094,000 cubic feet of natural gas through December 2025 for a total commitment of \$8,743,027 at December 31, 2021.

CITY OF OWATONNA, MINNESOTA
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C. Lease Commitments

The Utilities entered into an operating lease for various copier equipment. Lease expense for the year ended December 31, 2021 was \$8,592.

Minimum lease commitments in effect at December 31, 2021 are as follows:

Year ending December 31	Business-type Activities
2022	\$11,200
2023	11,200
2024	11,200
2025	10,638
2026	2,608
	\$46,846

D. Tax Increment Districts

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

E. Deferred Compensation Plan

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

F. Other Postemployment Benefits

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

1. The City

a. Plan Description

The City of Owatonna administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. There are 130 active participants, 41 actives waiving coverage, 11 retired participants and two inactive employees entitled to but not yet receiving benefits. The healthcare plan does not issue a publicly available financial report.

b. Funding Policy

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For plan year 2021, the City contributed \$73,744 to the plan.

CITY OF OWATONNA, MINNESOTA
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c. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2020.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.25%
 Health Care Trend Rates 6.30% for FY 2021, gradually decreasing over several decades to an ultimate rate of 3.8% in FY 2075 and later years

For general employees, mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments. For police and fire, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is based on the estimated yield of 20-year AA rated municipal bonds.

d. Changes in Total OPEB Liability

Balances at January 1, 2021	\$684,946
Changes for the Year:	
Service Cost	94,965
Interest	20,567
Change in Assumptions	(14,037)
Difference between expected and actual experience	25,331
Benefit Payments	(64,085)
Net change in Total OPEB Liability	62,740
Balances at December 31, 2021	\$747,687

e. Total OPEB Liability Sensitivity

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

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB Liability	\$787,169	747,687	\$705,953

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

	1% Decrease In trend rate	Current Trend rate	1% Increase In trend rate
Total OPEB Liability	\$654,595	\$747,687	\$860,133

CITY OF OWATONNA, MINNESOTA
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For the year ended December 31, 2021, the City recognized OPEB expense of \$36,809.

At December 31, 2021, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$22,692	\$536,925
Assumption Changes	76,171	12,576
City Contributions Made Subsequent to Measurement Date	73,744	
Total	\$172,607	\$549,501

\$73,744 reported as deferred outflow of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2022	\$(78,722)
2023	(78,722)
2024	(78,722)
2025	(78,722)
2026	(74,365)
Thereafter	(61,384)

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

a. Plan Description

Owatonna Public Utilities operates a single-employer retiree benefit plan (the Plan) that provides health, life and dental insurance to eligible employees and their families through the Utilities health insurance plan. There are 58 active participants, 1 retired participant, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the Utilities and various unions representing the Utilities' employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

b. Funding Policy

Contribution requirements are negotiated between the Utilities and union representatives. The eligibility for, amount of, duration of, and Utilities' contribution to the cost of the benefits provided varies by contract and date of retirement. The Utilities is funding this liability on a pay-as-you-go basis. For the plan year 2021, Owatonna Public Utilities contributed \$9,864 to the plan.

c. Total OPEB Liability

Owatonna Public Utility's total OPEB liability was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2021.

Actuarial Assumptions

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Expected LT Investment Return	0.00%
Inflation	2.0%
Salary Increases	Varies by service
Medical Trend Rates	6.5% as of January 1, 2021 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is based on the estimated yield of 20-year AA rated municipal bonds.

Mortality rates were based on the Pub-2010 Public Retirement Plans General Headcount-weighted Mortality Tables with MP-2020 General Improvement Scale.

The actuarial assumptions used in the January 1, 2021 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.

d. Changes in Total OPEB Liability

Balances at January 1, 2021	\$216,811
Changes for the Year:	
Service Cost	14,291
Interest	8,503
Change in Assumptions	(4,703)
Difference between expected and actual experience	(33,446)
Benefit Payments	(14,816)
Net change in Total OPEB Liability	<u>(30,171)</u>
Balances at December 31, 2021	<u>\$186,640</u>

Since the prior measurement date, there were no changes in benefits.

Since the prior measurement date, the following assumptions changed:

- For fiscal year ending December 31, 2021: The health care trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated. The discount rate was changed from 3.80% to 2.00%

e. Total OPEB Liability Sensitivity

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

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB Liability	<u>\$196,725</u>	<u>\$186,640</u>	<u>\$176,701</u>

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

	1% Decrease In trend rate	Current Trend rate	1% Increase In trend rate
Total OPEB Liability	<u>\$170,216</u>	<u>\$186,640</u>	<u>\$205,772</u>

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For the year ended December 31, 2021, Owatonna Public Utilities recognized OPEB expense of \$30,171.

At December 31, 2021, Owatonna Public Utility's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience		\$32,526
Assumption Changes		4,810
Utility Contributions Made Subsequent to Measurement Date	\$9,864	
Total	<u>\$9,864</u>	<u>\$37,336</u>

\$9,864 reported as deferred outflow of resources related to OPEB resulting from the Utility's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2022	\$(8,207)
2023	(8,207)
2024	(8,207)
2025	(8,207)
2026	(6,358)
Thereafter	1,850

3. Combined OPEB Liability

	OPEB Liability	Deferred Inflow	Deferred Outflow	OPEB Expense
City	\$747,687	\$549,501	\$172,607	\$36,809
Owatonna Public Utilities	186,640	37,336	9,864	30,171
Total	<u>934,327</u>	<u>586,837</u>	<u>182,471</u>	<u>66,980</u>

G. Employee Retirement Systems

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

Public Employees Retirement Association

Cost-sharing Multiple Employer Defined Benefit Pension Plan

1. Plan Description

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

CITY OF OWATONNA, MINNESOTA
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A. General Employees Retirement Plan

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

B. Public Employees Police and Fire Fund

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

2. Benefits Provided

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

A. GEP Benefits

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

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

B. P&FP Benefits

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

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

3. Contributions

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

A. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GEP for the year ended December 31, 2021, were \$935,050. The City's contributions were equal to the required contributions as set by state statute.

B. Police and Fire Fund Contributions

PF&P members were required to contribute 11.8% of their annual covered salary in calendar year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the P&FP for the year ended December 31, 2021, were \$675,856. The City's contributions were equal to the required contributions as set by state statute.

3. Pension Costs

A. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$7,242,680 for its proportionate share of the General Employee Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$221,202. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .1696% at the end of the measurement period and .1668% for the beginning of the period.

City's proportionate share of the net pension liability	\$7,242,680
State of Minnesota's proportionate share of the net pension liability associated with the City	221,202
Total	\$7,463,882

For the year ended December 31, 2021, the City recognized pension expense of \$77,261 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$17,848 as pension expense for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

CITY OF OWATONNA, MINNESOTA
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At December 31, 2021, the City's proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$43,080	\$220,921
Assumption Changes	4,422,231	155,498
Net Difference between Projected and Actual Earnings on Pension Plan Investments		6,291,823
Change in Proportion	162,503	142,867
City Contributions Made Subsequent to Measurement Date	467,099	
Total	\$5,094,913	\$6,811,109

The \$467,099 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2022	\$(308,868)
2023	(69,816)
2024	(93,780)
2025	(1,710,831)

B. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$2,429,150 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.3147% at the end of the measurement period and .3102% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we don't anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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

CITY OF OWATONNA, MINNESOTA
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reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$(171,288) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$19,892 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$28,323 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability	\$2,429,150
State of Minnesota's proportionate share of the net pension liability associated with the City	109,225
Total	\$2,538,375

At December 31, 2021, the City's proportionate share of P&FP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$466,545	
Change of Assumptions	3,570,217	\$1,334,668
Net Difference between Projected and Actual Earnings on Pension Plan Investments		4,641,492
Change in Proportion	184,231	277,631
City Contributions Made Subsequent to Measurement Date	357,361	
Total	\$4,578,354	\$6,253,791

\$357,361 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2022	\$(1,648,615)
2023	(339,438)
2024	(314,373)
2025	(524,443)
2026	794,060

The City's total pension expense for all plans for the year ended December 31, 2021, was \$(94,027).

4. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments

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return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% percent for the GEP and the P&FP. Benefit increases after retirement are assumed to be 1.25% for the GEP. The P&FP benefit increase is fixed at 1% per year and that was used in the valuation.

Salary growth assumptions in the GEP range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the P&FP, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the GEP are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the P&FP are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the GEP was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four year experience study for the P&FP was completed in 2020 as was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

- The investment return and single discount rates were changed from 7.5% to 6.5%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

- The investment return and single discount rates were changed from 7.5% to 6.5%, for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%
- The base mortality table for health annuitants and employees was changed from the RP-2014 table to the Pub-201 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2010.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub 2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.
- There were no changes in plan provisions since the previous valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Bonds (Fixed Income)	25%	.75%
Alternative Assets (Private Markets)	25%	5.90%
Total	<u>100%</u>	

5. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Pension Liability Sensitivity

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

	<u>General Employees Fund</u>		<u>Police & Fire Fund</u>	
1% Lower	5.5%	\$14,771,370	5.5%	\$7,712,142
Current Discount Rate	6.5%	7,242,680	6.5%	2,429,150
1% Higher	7.5%	1,064,930	7.5%	(1,901,594)

7. Pension Plan Fiduciary Net Position

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

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Defined Contribution Plan

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

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

Total contributions made by the City of Owatonna during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$3,420	\$3,420	5.0%	5.0%	5.0%

Owatonna Firefighter's Relief Association

Single Employer Defined Benefit Pension Plan

1. Plan Description

Firefighters of the City of Owatonna are members of the Owatonna Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2020, membership includes 34 active participants and 5 terminated employees entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

2. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$7,500 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law. The lump sum amount was increased to \$12,050 in 2021.

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

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$7,500 for each year the member was an active member of the Owatonna Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability

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pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

3. Contributions

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

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$182,734 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2020 was \$0.

4. Pension Costs

At December 31, 2021, the City reported an asset of \$2,006,830 for the Association's net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$(42,900) for the year ended December 31, 2021. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$9,076	\$112,383
Changes of Actuarial Assumptions	59,227	4,773
Net Difference between Projected and Actual Earnings on Pension Plan Investments		247,432
Total	\$68,303	\$364,588

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

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Year Ended December 31,	Amount
2022	\$(92,693)
2023	(29,302)
2024	(121,068)
2025	(38,181)
2026	(7,790)
Thereafter	(7,251)

5. Actuarial Assumptions

The actuarial total pension asset was determined as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/20
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line Closed
Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	2.75%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2020 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Allocation at December 31, 2020	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	51.00%	4.90%	7.15%
International Equity	16.00%	5.32%	7.57%
Fixed Income	12.00%	1.40%	3.65%
Real Estate	0.00%	4.43%	6.68%
Cash Equivalents	21.00%	.09%	2.34%
Total	100.00%		6.14%
Reduced for assumed investment expense			(0.20%)
Net assumed investment return (rounded to ¼%)			6.00%

CITY OF OWATONNA, MINNESOTA
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6. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

7. Pension Liability Sensitivity

The following presents the City of Owatonna's net pension asset of the Association, calculated using the discount rate of 6.0%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Asset	\$1,948,046	\$2,006,830	\$2,062,198
Discount Rate	5.0%	6.0%	7.0%

8. Plan's Fiduciary Net Position

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

	2020
Assets	
Cash and Investments	\$3,507,027
Total Assets	\$3,507,027
Net Position	
Unrestricted	\$3,507,027
Revenues	
Fire State Aid	\$182,734
Interest	351,109
Total Revenues	533,843
Expenses	
Benefit Payments	485,026
Administrative	6,630
Total Expenses	491,656
Change in Net Position	42,187
Beginning Net Position	3,464,840
Ending Net Position	\$3,507,027

CITY OF OWATONNA, MINNESOTA
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Information about the changes in the Plan's net pension asset is as follows:

	Measurement Date December 31, 2020
<u>Total Pension Liability</u>	
Service Cost	\$79,789
Interest	100,866
Difference between expected and actual experience	(56,749)
Changes of assumptions	21,869
Changes of benefit terms	62,864
Benefit payments, including member contribution refunds	(485,026)
Net Change in Total Pension Liability	(276,387)
Total Pension Liability – Beginning	1,776,584
Total Pension Liability – Ending (a)	\$1,500,197
<u>Plan Fiduciary Net Position</u>	
State Contributions	\$182,734
Net Investment Income	351,109
Benefit Payments	(485,026)
Administrative Expenses	(6,630)
Net Change in Fiduciary Net Position	42,187
Fiduciary Net Position – Beginning	3,464,840
Fiduciary Net Position – Ending (b)	\$3,507,027
Association's Net Pension Liability/(Asset) – Ending (a) – (b)	\$(2,006,830)

Summary

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

Description	General Employees Plan	Police & Fire Plan	Fire Relief Association	Total
Net Pension Asset			\$2,006,830	\$2,006,830
Net Pension Liability	\$7,242,680	\$2,429,150		9,671,830
Deferred Outflows of Resources Related to Pensions	5,094,913	4,578,354	68,303	9,741,570
Deferred Inflows of Resources Related to Pensions	6,811,109	6,253,791	364,588	13,429,488
Pension Expense	77,261	(171,288)	(42,900)	(139,958)

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

Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability				
Service Cost	\$109,256	\$95,705	\$95,606	\$85,987
Interest	29,069	33,383	46,649	53,819
Change in Assumptions	(18,740)	4,927	55,594	62,955
Difference between expected and actual experience	(8,115)		(656,694)	(193,904)
Benefit Payments	(78,901)	(62,225)	(50,998)	(48,107)
Net Change in Total OPEB Liability	32,569	71,790	(509,843)	(39,250)
Total OPEB Liability – Beginning	901,757	829,967	1,339,810	1,379,060
Total OPEB Liability – Ending	\$934,327	\$901,757	829,967	\$1,339,810
Covered-Employee Payroll	\$15,167,450	\$14,407,532	\$13,779,741	\$13,295,097
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	6%	6%	6%	10%

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

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

PERA General Employee's Retirement Fund (GEP)

<u>Fiscal Year Ending</u>	<u>Proportion Of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>State's Proportionate Share of NPL Associated With the City</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the NPL (asset) As a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/21	.1696%	\$7,242,680	\$221,202	\$7,463,882	\$12,427,916	60.06%	87.00%
6/30/20	.1668%	10,000,422	308,478	10,308,900	11,895,887	86.66%	79.06%
6/30/19	.1666%	9,210,941	286,155	9,497,096	11,823,289	80.33%	80.20%
6/30/18	.1691%	9,380,975	307,610	9,688,585	11,372,604	82.49%	79.53%
6/30/17	.1732%	11,056,974	139,012	11,195,986	11,313,906	98.96%	75.90%
6/30/16	.1682%	13,657,005	178,369	13,835,374	10,443,843	130.77%	68.91%
6/30/15	.1672%	8,665,171	0	8,665,171	9,826,867	88.18%	78.20%

PERA Public Employee's Police & Fire Fund (P&FP)

<u>Fiscal Year Ending</u>	<u>Proportion Of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>State's Proportionate Share of NPL Associated With the City</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the NPL (asset) As a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/21	.3147%	\$2,429,150	\$109,225	\$2,538,375	\$3,719,662	68.24%	93.70%
6/30/20	.3102%	4,088,768	96,322	4,185,090	3,504,057	116.69%	87.19%
6/30/19	.3301%	3,514,248		3,514,248	3,482,445	100.91%	89.26%
6/30/18	.3187%	3,397,014		3,397,014	3,358,796	101.14%	88.84%
6/30/17	.327%	4,414,889		4,414,889	3,361,271	131.35%	85.40%
6/30/16	.319%	12,802,025		12,802,025	3,070,825	416.89%	63.88%
6/30/15	.311%	3,533,688		3,533,688	2,853,462	123.84%	86.60%

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

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

PERA General Employee's Retirement Fund (GEP)

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/21	\$935,050	\$935,050	\$0	\$12,467,323	7.5%
12/31/20	901,503	901,503	0	12,016,880	7.5%
12/31/19	899,306	899,306	0	11,912,770	7.5%
12/31/18	863,494	863,494	0	11,513,238	7.5%
12/31/17	836,385	836,385	0	11,151,750	7.5%
12/31/16	804,270	804,270	0	10,726,757	7.5%
12/31/15	778,475	778,475	0	10,379,740	7.5%
12/31/14	695,645	695,645	0	9,595,508	7.5%

PERA Public Employee's Police & Fire Fund (P&FP)

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/21	\$675,856	\$675,856	\$0	\$3,818,339	17.70%
12/31/20	635,498	635,498	0	3,590,385	17.70%
12/31/19	602,462	602,462	0	3,554,348	16.95%
12/31/18	545,388	545,388	0	3,366,594	16.20%
12/31/17	544,997	544,997	0	3,364,225	16.20%
12/31/16	500,744	500,744	0	3,091,017	16.20%
12/31/15	508,708	508,708	0	3,140,174	16.20%
12/31/14	432,074	432,074	0	2,824,017	15.30%

Owatonna Firefighter's Relief Association

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	Association's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/21	\$0	\$0	\$0	N/A	N/A
12/31/20	0	0	0	N/A	N/A
12/31/19	0	0	0	N/A	N/A
12/31/18	0	0	0	N/A	N/A
12/31/17	0	0	0	N/A	N/A
12/31/16	0	0	0	N/A	N/A
12/31/15	0	0	0	N/A	N/A
12/31/14	0	0	0	N/A	N/A

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

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Notes to Required Supplementary Information

Notes to the Required Supplemental Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability. The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Notes to Required Supplementary Information

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 - There have been no changes since the prior valuation.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Notes to the Required Supplemental Information – Police and Fire Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent.

· The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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

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

2018 - The morality projection scale was changed from MP-2016 to MP-2017.

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.

CITY OF OWATONNA, MINNESOTA
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2016 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There have been no changes since the prior valuation.

2019 - There have been no changes since the prior valuation.

2018 - Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - There have been no changes since the prior valuation.

2016 - There have been no changes since the prior valuation.

2015 - The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

Notes to the Required Supplemental Information – Owatonna Firefighters Relief Association

Changes in Actuarial Assumptions

2021 - The expected investment return and discount rate decreased from 6.25% to 6.00% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan Actuarial valuation. The inflation assumption decreased from 2.5% to 2.25%.

2020 - There have been no changes since the prior valuation.

2019 – The expected investment return and discount rate decreased from 6.75% to 6.25% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan Actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

2018 – The expected investment return and discount rate increased from 6.5% to 6.75% to reflect updated capital market assumptions.

2017 - The expected investment return and discount rate decreased from 7.0% to 6.5% to reflect updated capital market assumptions.

2016 – The discount rate decreased from 7.5% to 7.0%.

2015 – There have been no changes since the prior valuation.

Changes in Plan Provisions

2020 – Lump sum benefit increased to \$7,500 from \$7,150

2019 – Lump sum benefit increased to \$7,150 from \$6,800

2018 – Lump sum benefit increased to \$6,800 from \$6,450

2017 – Lump sum benefit increased to \$6,450 from \$6,100

2016 – Lump sum benefit increased to \$6,100 from \$5,750

2015 – Lump sum benefit increased to \$5,750 from \$5,400

CITY OF OWATONNA, MINNESOTA
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Notes to Required Supplementary Information - OPEB (City)

Changes in Actuarial Assumptions

2021 – The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including adjustment to reflect age/gender-based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Police and Fire Plan valuations to the rates used in the 7/1/2020 valuations. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The inflation assumption was changed from 2.5% to 2.25% based on updated historical analysis of inflation rates and forward-looking market expectations.

2020 – The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates. The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

2019 – The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claim costs were updated to reflect recent experience. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rate used in the 7/1/2018 valuation. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan to the rate used in the 7/1/2018 valuation. The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 25% to 30% to reflect plan experience. The percent of future non-Medicare eligible retiree electing each medical plan changed to reflect recent plan experience.

2018 – The discount rate was changed from 3.81% to 3.31% based on update 20-year municipal bond rates. Healthcare trend rates were updated.

Changes in Plan Provisions

2021 – Retiree premiums were updated to current levels. Active City contribution rates used for disabled in the line of duty retirees were updated to current levels.

2020 – There have been no changes since the prior valuation.

2019 – Retiree premiums were updated to current levels. Active City contribution rates used for disabled in the line of duty retirees were updated to current levels.

2018 – There have been no changes since the prior valuation.

Notes to Required Supplementary Information - OPEB (Utility - OPU)

Changes in Assumptions

2021 - The healthcare trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated. The discount rate was changed from 3.8% to 2.0%.

2020 – The healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with RP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale. The discount rate was changed from 3.3% to 3.8%.

2019 – The discount rate was changed from 3.5% to 3.3%.

2018 – There were no changes due to being the first actuarial valuation of Other Postemployment Benefits that Hildi Inc has completed for the Utility.

Changes in Plan Provisions

2021 – There have been no changes since the prior valuation.

2020 – There have been no changes since the prior valuation.

2019 – There have been no changes since the prior valuation.

2018 - There were no changes due to being the first actuarial valuation of Other Postemployment Benefits that Hildi Inc has completed for the Utility.

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

Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total Pension Liability				
Service Cost	\$79,789	\$74,059	\$64,491	\$61,804
Interest	100,866	120,472	143,064	137,411
Differences between expected and actual experience	(56,749)		12,562	
Changes of assumptions	21,869		28,310	(8,549)
Changes of benefit terms	62,864	116,163	105,546	62,880
Benefit Payments, Including member refunds	(485,026)	(775,201)	(335,717)	(165,835)
Net Change in Total Pension Liability	(276,387)	(464,507)	18,256	87,711
Total Pension Liability – Beginning	1,776,584	2,241,091	2,222,835	2,135,124
Total Pension Liability – Ending (a)	\$1,500,197	\$1,776,584	\$2,241,091	\$2,222,835
Plan Fiduciary Net Position				
State Contributions	\$182,734	\$172,284	\$168,599	\$164,842
Net Investment Income	351,109	595,639	(208,750)	528,546
Benefit Payments	(485,026)	(775,201)	(335,717)	(165,835)
Administrative Expenses	(6,630)	(6,577)	(6,549)	(6,340)
Net Change in Fiduciary Net Position	42,187	(13,855)	(382,417)	521,213
Fiduciary Net Position – Beginning	3,464,840	3,478,695	3,861,112	3,339,899
Fiduciary Net Position – Ending (b)	3,507,027	3,464,840	3,478,695	3,861,112
Association’s Net Pension Liability/(Asset) – Ending (a) – (b)	<u><u>\$(2,006,830)</u></u>	<u><u>\$(1,688,256)</u></u>	<u><u>\$(1,237,604)</u></u>	<u><u>\$(1,638,277)</u></u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	233.77%	195.03%	155.22%	173.70%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

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

<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
\$66,200	\$53,176	\$51,753
140,109	130,326	135,178
(121,874)		
20,753	19,092	
107,406	61,077	
<u>(25,640)</u>		<u>(506,107)</u>
186,954	<u>263,671</u>	<u>(319,176)</u>
<u>1,948,170</u>	<u>1,684,499</u>	<u>2,003,675</u>
\$2,135,124	\$1,948,170	\$1,684,499
\$164,223	\$169,227	\$154,878
200,390	9,916	260,890
(25,640)		(506,107)
<u>(6,311)</u>	<u>(6,291)</u>	<u>(6,218)</u>
332,662	172,852	(96,557)
<u>3,007,237</u>	<u>2,834,385</u>	<u>2,930,942</u>
\$3,339,899	\$3,007,237	\$2,834,385
<u><u>\$(1,204,775)</u></u>	<u><u>\$(1,059,067)</u></u>	<u><u>\$(1,149,886)</u></u>
156.43%	165.70%	168.26%
N/A	N/A	N/A
N/A	N/A	N/A

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

Capital Projects Funds – see fund definitions on page 105

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021

	Library Reserve & Memorial Fund	Special Revenue MIF Fund
ASSETS		
Cash and cash equivalents	\$552,073	\$21
Investments		
Total assets	\$552,073	\$21
LIABILITIES		
Accounts payable	\$6,197	
Retainage payable		
Due to other funds		
Advance from other funds		
Total liabilities	6,197	
FUND BALANCES		
Restricted for:		
Hunewill	16,500	
Memorials	529,376	
Grant projects		\$21
Capital projects		
Economic development		
Unassigned		
Total fund balances	545,876	21
Total liabilities and fund balances	\$552,073	\$21

<u>Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Total</u>		
\$552,094	\$168,142 900,000	\$720,236 900,000
<u>\$552,094</u>	<u>\$1,068,142</u>	<u>\$1,620,236</u>
\$6,197		\$6,197
	\$7,550	7,550
	886,168	886,168
<u>6,197</u>	<u>893,718</u>	<u>899,915</u>
16,500		16,500
529,376		529,376
21		21
	1,067,170	1,067,170
	55	55
	(892,801)	(892,801)
<u>545,897</u>	<u>174,424</u>	<u>720,321</u>
<u>\$552,094</u>	<u>\$1,068,142</u>	<u>\$1,620,236</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2021

	Library Reserve & Memorial Fund	Special Revenue MIF Fund
REVENUES		
Taxes		
Interest on investments	\$(997)	
Miscellaneous	232,090	
Total revenues	231,093	
EXPENDITURES		
Current:		
Housing & economic development		
Miscellaneous	67,576	
Capital outlay		
Total expenditures	67,576	
Excess of revenues over (under) expenditures	163,517	
OTHER FINANCING SOURCES (USES)		
Transfers out		
Total other financing sources (uses)		
Net change in fund balances	163,517	
Fund balances – beginning	382,359	\$21
Fund balances – ending	\$545,876	\$21

<u>Funds</u>	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Total</u>		
	\$1,277,936	\$1,277,936
\$(997)	(731)	(1,728)
<u>232,090</u>		<u>232,090</u>
<u>231,093</u>	<u>1,277,205</u>	<u>1,508,298</u>
	1,117,687	1,117,687
67,576		67,576
<u>67,576</u>	<u>1,117,687</u>	<u>1,185,263</u>
163,517	159,518	323,035
	<u>(147,850)</u>	<u>(147,850)</u>
	<u>(147,850)</u>	<u>(147,850)</u>
163,517	11,668	175,185
<u>382,380</u>	<u>162,756</u>	<u>545,136</u>
<u>\$545,897</u>	<u>\$174,424</u>	<u>\$720,321</u>

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Nonmajor Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2021

	Sales Tax Capital Projects Fund	TIF 1-1 Metro Plains Cedar Run Fund	TIF 1-6 Northgate Fund	TIF 3-2 Cybex Inc. Fund
ASSETS				
Cash and cash equivalents	\$167,170			
Investments	900,000			
Accounts receivable				
Total assets	<u>\$1,067,170</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
LIABILITIES				
Accounts payable				
Retainage payable				
Due to other funds				
Advance from other funds				
Total liabilities				
FUND BALANCES				
Restricted for:				
Capital projects	\$1,067,170			
Economic development				
Unassigned				
Total fund balances	<u>1,067,170</u>	<u></u>	<u></u>	<u></u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,067,170</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

TIF 3-5 Sputtering Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund	TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund
	\$851		\$66			
<u>\$0</u>	<u>\$851</u>	<u>\$0</u>	<u>\$66</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	\$7,550 18,008 25,558		\$52,471 52,471			
	(24,707) (24,707)		(52,405) (52,405)			
<u>\$0</u>	<u>\$851</u>	<u>\$0</u>	<u>\$66</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 11-1 Toreys Fund	TIF 12-1 Metropolitan Fund	TIF 3-14 Bosch Fund	TIF 14-1 Eastgate Fund	Total Nonmajor Capital Projects Funds
	\$15					\$168,142 900,000
<u>\$0</u>	<u>\$15</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,068,142</u>
				\$333,200 333,200	\$482,489 482,489	\$7,550 886,168 893,718
	\$15			(333,200) (333,200)	(482,489) (482,489)	1,067,170 55 (892,801) 174,424
<u>\$0</u>	<u>\$15</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,068,142</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the year ended December 31, 2021

	<u>Sales Tax Capital Projects Fund</u>	<u>TIF 1-1 Metro Plains Cedar Run Fund</u>	<u>TIF 1-6 Northgate Fund</u>	<u>TIF 3-2 Cybex, Inc Fund</u>
REVENUES				
Taxes		\$14,137		
Interest on investments	\$(731)			
Miscellaneous				
Total revenues	<u>(731)</u>	<u>14,137</u>		
EXPENDITURES				
Current				
Housing & economic development		14,137	\$1,347	\$4,999
Capital outlay				
Total expenditures		<u>14,137</u>	<u>1,347</u>	<u>4,999</u>
Excess of revenues over (under) expenditures	(731)		(1,347)	(4,999)
OTHER FINANCING SOURCES (USES)				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	(731)		(1,347)	(4,999)
Fund balances- beginning	<u>1,067,901</u>		<u>1,347</u>	<u>4,999</u>
Fund balances – ending	<u>\$1,067,170</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	<u>TIF 4-1 Hospital Redevelop Fund</u>	<u>TIF 5-1 Tailwind Fund</u>	<u>TIF 7-1 Gateway #2 Fund</u>	<u>TIF 8-1 South Pointe #1 Fund</u>
REVENUES				
Taxes	\$65,298	\$5,831	\$25,194	\$64,425
Interest on investments				
Miscellaneous				
Total revenues	<u>65,298</u>	<u>5,831</u>	<u>25,194</u>	<u>64,425</u>
EXPENDITURES				
Current				
Housing & economic development	65,298	5,831	25,194	64,425
Capital outlay				
Total expenditures	<u>65,298</u>	<u>5,831</u>	<u>25,194</u>	<u>64,425</u>
Excess of revenues over (under) expenditures				,
OTHER FINANCING SOURCES (USES)				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances				,
Fund balances- beginning	<u>40</u>			
Fund balances – ending	<u>\$40</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 3-5 Sputtering Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund	TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund
\$26,653	\$424,469	\$40,765	\$183,696	\$229,153	\$49,715	\$684
<u>26,653</u>	<u>424,469</u>	<u>40,765</u>	<u>183,696</u>	<u>229,153</u>	<u>49,715</u>	<u>684</u>
26,653	264,580	40,765	167,785	229,153	49,715	684
<u>26,653</u>	<u>264,580</u>	<u>40,765</u>	<u>167,785</u>	<u>229,153</u>	<u>49,715</u>	<u>684</u>
	159,889		15,911			
	(147,850)					
	<u>(147,850)</u>					
	12,039		15,911			
	(36,746)		(68,316)			
<u>\$0</u>	<u>\$(24,707)</u>	<u>\$0</u>	<u>\$(52,405)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 11-1 Toreys Fund	TIF 12-1 Metropolitan Fund	TIF 3-14 Bosch Fund	TIF 14-1 Eastgate Fund	Total Nonmajor Capital Projects Funds
\$21,678	\$7	\$21,255	\$104,976			\$1,277,936 (731)
<u>21,678</u>	<u>7</u>	<u>21,255</u>	<u>104,976</u>			<u>1,277,205</u>
21,678		21,255	104,976	\$9,212		1,117,687
<u>21,678</u>		<u>21,255</u>	<u>104,976</u>	<u>9,212</u>		<u>1,117,687</u>
	7			(9,212)		159,518
						(147,850)
						<u>(147,850)</u>
	7			(9,212)		11,668
	8			(323,988)		162,756
<u>\$0</u>	<u>\$15</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(333,200)</u>	<u>\$(482,489)</u>	<u>174,424</u>

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Discretely Presented Component Unit

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

EDA Administration Fund

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

EDA Loan Fund

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

EDA Land Fund

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

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Component Unit – Economic Development Authority
December 31, 2021

	<u>EDA Administration Fund</u>	<u>EDA Loan Fund</u>	<u>EDA Land Fund</u>	<u>Total EDA Funds</u>
ASSETS				
Cash and cash equivalents	\$99,946	\$95,136	\$157,962	\$353,044
Investments		800,000	600,000	1,400,000
Interest receivable		726		726
Accounts receivable	18,167			18,167
Loans receivable		107,703	1,576,393	1,684,096
Land held for resale			2,696,660	2,696,660
Total assets	<u>\$118,113</u>	<u>\$1,003,565</u>	<u>\$5,031,015</u>	<u>\$6,152,693</u>
LIABILITIES				
Accounts payable	<u>\$33,167</u>		<u>\$13,535</u>	<u>\$46,702</u>
Total liabilities	<u>33,167</u>		<u>13,535</u>	<u>46,702</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue			<u>587,305</u>	<u>587,305</u>
Total deferred inflows of resources			<u>587,305</u>	<u>587,305</u>
FUND BALANCES				
Restricted for:				
Economic development		\$1,003,565	4,430,175	5,433,740
Unrestricted	<u>84,946</u>			<u>84,946</u>
Total fund balances	<u>84,946</u>	<u>1,003,565</u>	<u>4,430,175</u>	<u>5,518,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$118,113</u>	<u>\$1,003,565</u>	<u>\$5,031,015</u>	<u>\$6,152,693</u>

Fund balances – component unit \$5,518,686

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

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

Donated land held for resale is not expected to be sold soon enough to provide available resources and therefore, is a deferred inflow in the funds 91,500

Other long-term assets are not available to pay for current expenditures, and therefore, are a deferred inflow in the funds 495,805

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

Net position – component unit \$6,350,994

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit – Economic Development Authority
For the year ended December 31, 2021

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total EDA Funds
REVENUES				
Taxes	\$382,623			\$382,623
Interest on investments	(504)	\$(378)	\$81	(801)
Interest on loans		1,825	23,935	25,760
Miscellaneous	46,135	125	72,444	118,704
Total revenues	428,254	1,572	96,460	526,286
EXPENDITURES				
Current – miscellaneous	387,672	66,480	55,757	509,909
Total expenditures	387,672	66,480	55,757	509,909
Excess of revenues over (under)				
Expenditures	40,582	(64,908)	40,703	16,377
Fund balance - beginning	44,364	1,068,473	4,389,472	5,502,309
Fund balance – ending	\$84,946	\$1,003,565	\$4,430,175	\$5,518,686

Net change in fund balances – component unit \$16,377

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 233,605

Change in Net position – component unit \$249,982

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2021

	Land	Buildings	Improv. Other than Buildings	Equipment
General Government				
Administrative Services	\$1,761,170	\$4,517,127		\$1,290,255
Government Buildings		4,194,400	\$44,649	73,137
Total General Government	<u>1,761,170</u>	<u>8,711,527</u>	<u>44,649</u>	<u>1,363,392</u>
Public Safety				
Police	80,472	963,405		371,696
Fire	248,982	2,477,432		1,557,335
Building Inspection				37,097
Total Public Safety	<u>329,454</u>	<u>3,440,837</u>		<u>1,966,128</u>
Public Works				
Engineering				30,995
Street Maintenance	405,756	1,811,138	55,367	923,718
Airport	4,399,281	2,010,914		463,184
Total Public Works	<u>4,805,037</u>	<u>3,822,052</u>	<u>55,367</u>	<u>1,417,897</u>
Culture and Recreation				
Library	244,940	2,713,603	7,253	494,993
Park & Recreation	1,622,863	2,123,528	1,267,567	1,208,718
Tennis & Fitness Center		837,643		85,996
Senior Center		580,473		50,300
Brooktree Golf Course	198,117	362,378	278,435	90,732
Aquatic Center		3,518,447		247,874
Total Culture and Recreation	<u>2,065,920</u>	<u>10,136,072</u>	<u>1,553,255</u>	<u>2,178,613</u>
Construction in Progress				
Subtotal	<u>8,961,581</u>	<u>26,110,488</u>	<u>1,653,271</u>	<u>6,926,030</u>
Internal Service Funds				<u>10,948,756</u>
Total governmental fund capital assets	<u>\$8,961,581</u>	<u>\$26,110,488</u>	<u>\$1,653,271</u>	<u>\$17,874,786</u>

<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
		\$7,568,552
		4,312,186
		<u>11,880,738</u>
		1,415,573
		4,283,749
		37,097
		<u>5,736,419</u>
		30,995
\$120,873,791		124,069,770
5,406,712		12,280,091
<u>126,280,503</u>		<u>136,380,856</u>
		3,460,789
537,257		6,759,933
		923,639
		630,773
408,899		1,338,561
		3,766,321
<u>946,156</u>		<u>16,880,016</u>
	\$3,336,128	3,336,128
127,226,659	3,336,128	174,214,157
		10,948,756
<u>\$127,226,659</u>	<u>\$3,336,128</u>	<u>\$185,162,913</u>

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the year ended December 31, 2021

	Beginning Balances	Additions	Deletions	Ending Balances
General Government				
Administrative Services	\$7,552,839	\$15,713		\$7,568,552
Government Buildings	4,312,186			4,312,186
Total General Government	<u>11,865,025</u>	<u>15,713</u>		<u>11,880,738</u>
Public Safety				
Police	1,415,573			1,415,573
Fire	4,285,046	19,336	\$20,633	4,283,749
Building Inspection	37,097			37,097
Total Public Safety	<u>5,737,716</u>	<u>19,336</u>	<u>20,633</u>	<u>5,736,419</u>
Public Works				
Engineering	11,595	19,400		30,995
Street Maintenance	119,974,747	4,095,023		124,069,770
Airport	12,300,928		20,837	12,280,091
Total Public Works	<u>132,287,270</u>	<u>4,114,423</u>	<u>20,837</u>	<u>136,380,856</u>
Culture and Recreation				
Library	3,476,475	5,682	21,368	3,460,789
Park & Recreation	5,495,944	1,358,519	94,530	6,759,933
Tennis & Fitness Center	923,639			923,639
Senior Center	489,728	141,045		630,773
Brooktree Golf Course	1,338,561			1,338,561
Aquatic Center	3,770,300	6,422	10,401	3,766,321
Total Culture & Recreation	<u>15,494,647</u>	<u>1,511,668</u>	<u>126,299</u>	<u>16,880,016</u>
Construction in Progress	<u>1,028,484</u>	<u>6,039,255</u>	<u>3,731,611</u>	<u>3,336,128</u>
Subtotal	166,413,142	11,700,395	3,899,380	174,214,157
Internal Service Funds	<u>9,954,841</u>	<u>1,271,274</u>	<u>277,359</u>	<u>10,948,756</u>
Total governmental fund capital assets	<u>\$176,367,983</u>	<u>\$12,971,669</u>	<u>\$4,176,739</u>	<u>\$185,162,913</u>

Statistical Section

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	120-131
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	132-136
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	137-142
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	143-144
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	145-147

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Governmental activities				
Net investment in capital assets	\$82,080,996	\$79,875,698	\$80,190,115	\$79,004,771
Restricted	13,608,287	12,889,531	11,740,372	12,129,868
Unrestricted	<u>11,621,123</u>	<u>8,480,035</u>	<u>7,743,706</u>	<u>6,752,131</u>
Total governmental activities	<u>\$107,310,406</u>	<u>\$101,245,264</u>	<u>\$99,674,193</u>	<u>\$97,886,770</u>
Business-type activities				
Net investment in capital assets	\$113,783,109	\$104,622,010	\$98,084,910	\$92,586,465
Restricted				
Unrestricted	<u>44,110,948</u>	<u>45,964,958</u>	<u>47,000,604</u>	<u>44,901,652</u>
Total business-type activities	<u>\$157,894,057</u>	<u>\$150,586,968</u>	<u>\$145,085,514</u>	<u>\$137,488,117</u>
Primary government				
Net investment in capital assets	\$195,864,105	\$184,497,708	\$178,275,025	\$171,591,236
Restricted	13,608,287	12,889,531	11,740,372	12,129,868
Unrestricted	<u>55,372,071</u>	<u>54,444,993</u>	<u>54,744,310</u>	<u>51,653,783</u>
Total primary government net assets	<u>\$265,204,463</u>	<u>\$251,832,232</u>	<u>\$244,759,707</u>	<u>\$235,374,887</u>

Note: In 2015 GASB 68 was implemented

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$81,046,952	\$80,110,407	\$75,953,125	\$75,256,663	\$75,121,100	\$76,286,230
10,837,315	10,411,098	11,942,498	12,177,716	12,189,560	13,584,152
6,993,466	7,877,023	9,427,621	15,929,892	15,409,299	11,575,794
<u>\$98,877,733</u>	<u>\$98,398,528</u>	<u>\$97,323,244</u>	<u>\$103,364,271</u>	<u>\$102,719,959</u>	<u>\$101,446,176</u>
\$90,321,448	\$88,935,574	\$90,824,949	\$86,780,807	\$77,397,242	\$70,537,639
			910,766	876,365	866,194
41,691,305	38,745,124	36,259,217	40,178,245	45,231,887	44,381,688
<u>\$132,012,753</u>	<u>\$127,680,698</u>	<u>\$127,084,166</u>	<u>\$127,869,818</u>	<u>\$123,505,494</u>	<u>\$115,785,521</u>
\$171,368,400	\$169,045,981	\$166,778,074	\$162,037,470	\$152,518,342	\$146,823,868
10,837,315	10,411,098	11,942,498	13,088,482	13,065,925	14,450,347
48,684,771	46,622,147	45,686,838	56,108,137	60,641,186	55,957,482
<u>\$230,890,486</u>	<u>\$226,079,226</u>	<u>\$224,407,410</u>	<u>\$231,234,089</u>	<u>\$226,225,453</u>	<u>\$217,231,697</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$323,466	\$396,420	\$453,359	\$348,509
Public safety	917,428	1,033,653	852,832	833,619
Public works	375,986	478,469	555,541	543,571
Culture and recreation	1,213,757	754,448	1,359,896	1,356,050
Other activities	19,440	39,313	18,045	21,072
Operating grants & contributions	1,722,034	2,519,643	1,719,641	1,493,152
Capital grants & contributions	7,330,068	1,640,688	2,853,965	1,262,057
Total governmental activities	<u>11,902,179</u>	<u>6,862,634</u>	<u>7,813,279</u>	<u>5,858,030</u>
Business-type activities:				
Charges for services:				
Sewer	4,150,093	3,894,053	3,755,393	3,675,717
Storm water	1,307,822	1,208,514	1,212,090	1,068,692
Electric	43,340,773	40,916,882	41,517,739	40,814,286
Water	4,721,999	4,465,627	4,142,576	4,169,129
Gas	22,942,554	12,316,516	13,946,020	14,762,244
Aquatic center				
Operating grants and contributions			236,174	5,000
Capital grants and contributions				9,262
Total business-type activities	<u>76,463,241</u>	<u>62,801,592</u>	<u>64,809,992</u>	<u>64,504,330</u>
Total primary government	<u>\$88,365,420</u>	<u>\$69,664,226</u>	<u>\$72,623,271</u>	<u>\$70,362,360</u>
Expenses				
Governmental activities:				
General government	\$3,475,539	\$4,318,885	\$3,461,354	\$3,205,461
Public safety	6,838,715	7,595,141	7,349,429	6,812,922
Public works	7,732,201	7,367,252	7,834,535	7,474,091
Culture and recreation	4,975,493	4,474,475	5,202,377	5,165,302
Other activities	1,522,053	2,077,187	1,156,663	1,111,126
Interest on long-term debt	395,235	351,113	404,670	335,781
Total governmental activities	<u>24,939,236</u>	<u>26,184,053</u>	<u>25,409,028</u>	<u>24,104,683</u>
Business-type activities:				
Sewer	2,446,611	2,732,848	2,868,854	2,798,229
Storm water	590,887	685,583	780,772	660,873
Electric	40,046,387	39,131,242	38,886,514	39,303,834
Water	3,617,865	3,366,652	3,244,405	3,420,096
Gas	22,224,734	11,799,218	12,898,582	13,740,097
Aquatic center				
Total business-type activities	<u>68,926,484</u>	<u>57,715,543</u>	<u>58,679,127</u>	<u>59,923,129</u>
Total primary government	<u>\$93,865,720</u>	<u>\$83,899,596</u>	<u>\$84,088,155</u>	<u>\$84,027,812</u>

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$321,021	\$354,171	\$325,810	\$353,387	\$343,280	\$277,682
778,822	821,115	646,479	704,699	778,934	672,500
673,815	658,045	583,402	433,409	849,117	675,880
1,321,495	1,308,683	1,167,819	1,147,686	1,108,691	1,136,581
19,208	19,528	9,640	13,121	12,794	8,579
1,562,720	1,499,973	1,411,675	1,692,420	1,253,133	1,095,946
3,749,360	1,985,442	3,351,342	2,596,415	5,401,249	3,305,708
<u>8,426,441</u>	<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>
3,416,993	3,322,407	3,106,003	2,995,373	2,467,088	2,022,730
923,459	784,774	397,464	399,983	344,831	397,888
39,025,342	38,219,579	35,805,919	35,756,468	34,586,900	34,651,139
3,948,324	3,804,917	3,489,771	3,433,348	3,509,578	3,602,180
14,019,597	13,266,847	13,795,668	21,471,393	15,776,954	13,008,829
		195,018	174,787	164,532	198,191
<u>135,032</u>	<u>188,135</u>	<u>50,000</u>	<u>25,688</u>	<u>4,449,193</u>	<u>749,465</u>
<u>61,468,747</u>	<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>	<u>61,299,076</u>	<u>54,630,422</u>
<u>\$69,895,188</u>	<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>
\$3,243,404	\$3,099,636	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496
7,652,397	8,377,228	6,348,914	6,310,828	5,999,244	5,770,904
7,072,006	6,691,503	7,270,857	6,925,355	7,301,740	6,640,567
5,201,248	5,040,588	4,652,758	4,279,720	4,229,251	4,051,046
791,706	1,063,892	747,447	570,317	627,951	627,678
234,573	287,028	288,678	300,765	409,891	307,253
<u>24,195,334</u>	<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>
2,847,495	3,006,694	2,492,185	2,452,577	2,191,955	2,479,096
591,835	682,131	516,915	508,608	457,454	367,752
37,610,225	37,738,830	34,612,064	34,319,736	34,455,128	33,341,909
3,250,860	3,046,878	3,159,786	2,734,692	2,767,320	2,531,144
13,730,892	11,789,863	13,066,535	20,613,979	14,962,607	12,513,597
		291,201	249,672	268,532	264,385
<u>58,031,307</u>	<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>
<u>\$82,226,641</u>	<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>	<u>\$76,167,779</u>	<u>\$71,085,827</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net (Expense)/Revenue				
Governmental activities	\$(13,037,057)	\$(19,321,419)	\$(17,595,749)	\$(18,246,653)
Business-type activities	7,536,757	5,086,049	6,130,865	4,581,201
Total primary government	<u>\$(5,500,300)</u>	<u>\$(14,235,370)</u>	<u>\$(11,464,884)</u>	<u>\$(13,665,452)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, (general purposes)	\$13,487,199	\$12,860,742	\$12,229,960	\$11,810,733
Property taxes, (debt service)	1,261,710	1,343,083	1,353,663	1,018,307
Sales & excise tax				
Franchise tax	335,187	343,202	352,715	353,476
Lodging tax				
Unrestricted grants and contributions	4,791,022	5,351,753	4,364,245	4,387,352
Investment earnings	(41,936)	387,414	652,930	440,334
Other				
Transfers	(730,983)	606,296	429,659	48,162
Total governmental activities	<u>19,102,199</u>	<u>20,892,490</u>	<u>19,383,172</u>	<u>18,058,364</u>
Business-type activities:				
Property taxes, (debt service)	317,938	312,070	312,938	314,930
Unrestricted grants and contributions				
Investment earnings	265,166	698,614	1,074,075	678,629
Other	(1,543,755)	11,017	509,178	
Transfers	730,983	(606,296)	(429,659)	(48,162)
Total business-type activities	<u>(229,668)</u>	<u>415,405</u>	<u>1,466,532</u>	<u>945,397</u>
Total primary government	<u>\$18,872,531</u>	<u>\$21,307,895</u>	<u>\$20,849,704</u>	<u>\$19,003,761</u>
Change in Net Position				
Governmental activities	\$6,065,142	\$1,571,071	\$1,787,423	\$(188,289)
Business-type activities	7,307,089	5,501,454	7,597,397	5,526,598
Total primary government	<u>\$13,372,231</u>	<u>\$7,072,525</u>	<u>\$9,384,820</u>	<u>\$5,338,309</u>

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$(15,768,893)	\$(17,912,918)	\$(14,669,968)	\$(14,126,104)	\$(11,317,585)	\$(12,415,068)
3,437,440	3,322,263	2,701,157	3,377,776	6,196,080	3,132,539
<u>\$(12,331,453)</u>	<u>\$(14,590,655)</u>	<u>\$(11,968,811)</u>	<u>\$(10,748,328)</u>	<u>\$(5,121,505)</u>	<u>\$(9,282,529)</u>
\$10,407,798	\$9,864,056	\$9,148,313	\$8,620,566	\$8,753,451	\$8,436,179
991,067	1,134,938	1,150,319	1,096,471	923,671	1,037,055
348,769	346,777	339,322	342,607	324,401	307,594
4,341,397	4,201,348	4,103,313	4,253,144	3,357,405	3,428,021
240,752	134,961	190,031	511,958	(308,037)	137,539
			195,095		
(81,685)	3,306,122	90,441	(249,425)	(1,351,736)	(38,361)
<u>16,248,098</u>	<u>18,988,202</u>	<u>15,021,739</u>	<u>14,770,416</u>	<u>11,699,155</u>	<u>13,308,027</u>
322,411	247,970	248,410	251,775	253,885	252,521
490,519	332,421	284,548	485,348	(81,728)	222,481
81,685	(3,306,122)	(90,441)	249,425	1,351,736	38,361
<u>894,615</u>	<u>(2,725,731)</u>	<u>442,517</u>	<u>986,548</u>	<u>1,523,893</u>	<u>513,363</u>
<u>\$17,142,713</u>	<u>\$16,262,471</u>	<u>\$15,464,256</u>	<u>\$15,756,964</u>	<u>\$13,223,048</u>	<u>\$13,821,390</u>
\$479,205	\$1,075,284	\$352,691	\$644,312	\$381,570	\$892,959
4,332,055	596,532	3,143,674	4,364,324	7,719,973	3,645,902
<u>\$4,811,260</u>	<u>\$1,671,816</u>	<u>\$3,496,365</u>	<u>\$5,008,636</u>	<u>\$8,101,543</u>	<u>\$4,538,861</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund				
Nonspendable	\$177,009	\$153,417	\$160,637	\$169,421
Restricted	46,797	46,608	45,912	44,943
Assigned	3,004,811	3,119,384	2,980,474	3,084,017
Unassigned	8,922,998	8,544,022	8,166,473	7,665,558
Total general fund	<u>12,151,615</u>	<u>11,863,431</u>	<u>11,353,496</u>	<u>10,963,939</u>
All Other Governmental Funds				
Nonspendable				
Restricted	10,388,117	8,788,419	7,921,803	8,476,883
Committed	1,226,804	1,408,436	768,512	1,112,446
Assigned	6,563,115	6,115,477	6,064,409	6,072,226
Unassigned	(892,801)	(911,539)	(131,923)	(157,552)
Total all other governmental funds	<u>17,285,235</u>	<u>15,400,793</u>	<u>14,622,801</u>	<u>15,504,003</u>
Total governmental funds	<u>\$29,436,850</u>	<u>\$27,264,224</u>	<u>\$25,976,297</u>	<u>\$26,467,942</u>

2017	2016	2015	2014	2013	2012
\$169,529	\$200,044	\$283,764	\$224,489	\$78,276	\$86,340
44,198	43,717	43,432	43,058	42,066	42,066
2,216,436	2,066,020	2,050,503	1,912,882	1,843,366	2,164,701
8,245,075	8,088,843	8,075,845	7,851,566	7,731,961	7,348,001
<u>10,675,238</u>	<u>10,398,624</u>	<u>10,453,544</u>	<u>10,031,995</u>	<u>9,695,669</u>	<u>9,641,108</u>
7,199,761	7,282,461	9,414,768	74,064	549,915	
1,036,672	1,114,534	1,114,534	8,953,592	8,312,438	9,084,236
5,438,542	5,240,474	3,905,230	1,528,371	2,644,186	
(189,851)	(239,266)	(216,589)	4,360,834	2,446,348	2,324,410
<u>13,485,124</u>	<u>13,398,203</u>	<u>14,217,943</u>	<u>14,697,000</u>	<u>13,952,887</u>	<u>11,408,646</u>
<u>\$24,160,362</u>	<u>\$23,796,827</u>	<u>\$24,671,487</u>	<u>\$24,728,995</u>	<u>\$23,648,556</u>	<u>\$21,049,754</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues				
Taxes	\$15,054,201	\$14,460,256	\$13,926,612	\$13,230,823
Licenses and permits	407,850	570,608	422,036	449,857
Intergovernmental revenue	12,626,913	8,749,452	7,048,268	6,599,704
Charges for service	1,770,835	1,415,474	2,128,600	2,042,584
Fines and forfeits	146,250	137,314	160,072	156,847
Special assessments	708,911	812,614	829,705	677,503
Interest on investments	(41,936)	387,414	652,930	440,334
Miscellaneous	1,092,385	660,574	925,334	514,841
Total revenues	<u>31,765,409</u>	<u>27,193,706</u>	<u>26,093,557</u>	<u>24,112,493</u>
Expenditures				
Current operating				
General government	3,182,519	3,868,465	3,074,250	2,902,381
Public safety	7,876,675	7,724,843	7,390,178	6,909,832
Public works	4,414,957	4,378,073	4,525,795	4,345,785
Culture and recreation	4,682,111	4,090,156	4,737,918	4,659,725
Housing & economic development	1,424,670	2,060,099	1,149,628	1,093,759
Miscellaneous	243,320	129,243	146,218	83,457
Capital outlay	9,713,725	3,972,857	6,651,508	5,990,656
Debt service:				
Principal retired	1,750,000	1,625,000	1,250,000	1,335,000
Interest and service charges	521,013	486,867	468,986	297,878
Payment to refunding escrow agent				
Total all other governmental funds	<u>33,808,990</u>	<u>28,305,603</u>	<u>29,394,481</u>	<u>27,618,473</u>
Excess of revenues over (under) expenditures	<u>(2,043,581)</u>	<u>(1,111,897)</u>	<u>(3,300,924)</u>	<u>(3,505,980)</u>
Other finance sources (uses)				
Bond issuance	3,250,000	1,545,000	1,860,000	4,825,000
Premium(Discount) on bonds	342,857	227,124	357,779	402,560
Other				
Sale of capital assets				
Transfers out	(487,850)	(1,350,920)	(148,300)	(170,920)
Transfers in	1,111,200	1,978,620	739,800	756,920
Total other financing sources (uses)	<u>4,216,207</u>	<u>2,399,824</u>	<u>2,809,279</u>	<u>5,813,560</u>
Net change in fund balance	<u>\$2,172,626</u>	<u>\$1,287,927</u>	<u>\$(491,645)</u>	<u>\$2,307,580</u>
Debt service as a percentage of noncapital expenditures	8.79%	8.68%	7.46%	7.30%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$11,762,834	\$11,315,685	\$10,658,545	\$10,089,188	\$9,999,651	\$9,820,395
445,702	428,138	292,628	349,311	350,707	279,645
8,199,031	6,869,605	7,290,973	7,755,657	7,562,657	6,434,010
2,122,977	2,132,546	1,857,471	1,704,610	2,084,835	1,899,600
157,683	142,447	157,719	172,951	172,778	206,517
839,631	936,065	1,137,312	1,099,194	1,361,391	1,444,022
240,752	134,961	190,031	511,958	(308,037)	137,539
624,897	621,632	1,452,189	853,621	667,413	332,307
<u>24,393,507</u>	<u>22,581,079</u>	<u>23,036,868</u>	<u>22,536,490</u>	<u>21,891,395</u>	<u>20,554,035</u>
2,815,113	2,674,639	2,528,782	2,338,333	2,131,704	2,086,672
6,841,352	6,605,121	6,200,216	6,094,080	5,645,420	5,566,365
4,031,989	3,850,262	3,681,956	3,444,217	3,091,860	3,267,360
4,634,202	4,495,841	4,035,671	3,796,924	3,770,340	3,813,868
773,449	1,028,038	734,410	462,086	453,050	405,640
100,110	146,547	127,580	294,163	380,217	359,119
5,632,005	3,613,361	5,905,097	4,615,949	7,234,554	4,145,253
1,615,000	1,765,000	1,890,000	1,845,000	2,175,000	4,720,000
257,834	330,154	293,620	313,028	302,980	339,625
	810,000				
<u>26,701,054</u>	<u>25,318,963</u>	<u>25,397,332</u>	<u>23,203,780</u>	<u>25,185,125</u>	<u>24,703,902</u>
<u>(2,307,547)</u>	<u>(2,737,884)</u>	<u>(2,360,464)</u>	<u>(667,290)</u>	<u>(3,293,730)</u>	<u>(4,149,867)</u>
2,015,000	1,300,000	1,685,000	1,135,000	3,845,000	
108,582	99,109	98,893	32,211	71,433	
		110,979		1,858,593	46,941
		5,584	215,518		
(148,190)	(658,975)	(128,000)	(564,000)	(2,963,221)	(50,000)
695,690	1,123,090	530,500	929,000	3,278,221	370,000
<u>2,671,082</u>	<u>1,863,224</u>	<u>2,302,956</u>	<u>1,747,729</u>	<u>6,090,026</u>	<u>366,941</u>
<u>\$363,535</u>	<u>\$(874,660)</u>	<u>\$(57,508)</u>	<u>\$1,080,439</u>	<u>\$2,796,296</u>	<u>\$(3,782,926)</u>
8.63%	13.18%	10.55%	10.84%	11.87%	23.99%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$323,466	\$396,420	\$453,359	\$348,509
Public safety	917,428	1,033,653	852,832	833,619
Public works	375,986	478,469	555,541	543,571
Culture and recreation	1,213,757	754,448	1,359,896	1,356,050
Other activities	19,440	39,313	18,045	21,072
Operating grants & contributions	1,722,034	2,519,643	1,719,641	1,493,152
Capital grants & contributions	7,330,068	1,640,688	2,853,965	1,262,057
Total governmental activities	<u>11,902,179</u>	<u>6,862,634</u>	<u>7,813,279</u>	<u>5,858,030</u>
Business-type activities:				
Charges for services:				
Sewer	4,150,093	3,894,053	3,755,393	3,675,717
Storm water	1,307,822	1,208,514	1,212,090	1,068,692
Electric	43,340,773	40,916,882	41,517,739	40,814,286
Water	4,721,999	4,465,627	4,142,576	4,169,129
Gas	22,942,554	12,316,516	13,946,020	14,762,244
Aquatic center				
Operating grants and contributions			236,174	5,000
Capital grants and contributions				9,262
Total business-type activities	<u>76,463,241</u>	<u>62,801,592</u>	<u>64,809,992</u>	<u>64,504,330</u>
Total primary government	<u>\$88,365,420</u>	<u>\$69,664,226</u>	<u>\$72,623,271</u>	<u>\$70,362,360</u>
Expenses				
Governmental activities:				
General government	\$3,475,539	\$4,318,885	\$3,461,354	\$3,205,461
Public safety	6,838,715	7,595,141	7,349,429	6,812,922
Public works	7,732,201	7,367,252	7,834,535	7,474,091
Culture and recreation	4,975,493	4,474,475	5,202,377	5,165,302
Other activities	1,522,053	2,077,187	1,156,663	1,111,126
Interest on long-term debt	395,235	351,113	404,670	335,781
Total governmental activities	<u>24,939,236</u>	<u>26,184,053</u>	<u>25,409,028</u>	<u>24,104,683</u>
Business-type activities:				
Sewer	2,446,611	2,732,848	2,868,854	2,798,229
Storm water	590,887	685,583	780,772	660,873
Electric	40,046,387	39,131,242	38,886,514	39,303,834
Water	3,617,865	3,366,652	3,244,405	3,420,096
Gas	22,224,734	11,799,218	12,898,582	13,740,097
Aquatic center				
Housing and economic development				
Total business-type activities	<u>68,926,484</u>	<u>57,715,543</u>	<u>58,679,127</u>	<u>59,923,129</u>
Total primary government	<u>\$93,865,720</u>	<u>\$83,899,596</u>	<u>\$84,088,155</u>	<u>\$84,027,812</u>

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$321,021	\$354,171	\$325,810	\$353,387	\$343,280	\$277,682
778,822	821,115	646,479	704,699	778,934	672,500
673,815	658,045	583,402	433,409	849,117	675,880
1,321,495	1,308,683	1,167,819	1,147,686	1,108,691	1,136,581
19,208	19,528	9,640	13,121	12,794	8,579
1,562,720	1,499,973	1,411,675	1,692,420	1,253,133	1,095,946
3,749,360	1,985,442	3,351,342	2,596,415	5,401,249	3,305,708
<u>8,426,441</u>	<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>
3,416,993	3,322,407	3,106,003	2,995,373	2,467,088	2,022,730
923,459	784,774	397,464	399,983	344,831	397,888
39,025,342	38,219,579	35,805,919	35,756,468	34,586,900	34,651,139
3,948,324	3,804,917	3,489,771	3,433,348	3,509,578	3,602,180
14,019,597	13,266,847	13,795,668	21,471,393	15,776,954	13,008,829
		195,018	174,787	164,532	198,191
135,032	188,135	50,000	25,688	4,449,193	749,465
<u>61,468,747</u>	<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>	<u>61,299,076</u>	<u>54,630,422</u>
<u>\$69,895,188</u>	<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>
\$3,243,404	\$3,099,636	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496
7,652,397	8,377,228	6,348,914	6,310,828	5,999,244	5,770,904
7,072,006	6,691,503	7,270,857	6,925,355	7,301,740	6,640,567
5,201,248	5,040,588	4,652,758	4,279,720	4,229,251	4,051,046
791,706	1,063,892	747,447	570,317	627,951	627,678
234,573	287,028	288,678	300,765	409,891	307,253
<u>24,195,334</u>	<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>
2,847,495	3,006,694	2,492,185	2,452,577	2,191,955	2,479,096
591,835	682,131	516,915	508,608	457,454	367,752
37,610,225	37,738,830	34,612,064	34,319,736	34,455,128	33,341,909
3,250,860	3,046,878	3,159,786	2,734,692	2,767,320	2,531,144
13,730,892	11,789,863	13,066,535	20,613,979	14,962,607	12,513,597
		291,201	249,672	268,532	264,385
<u>58,031,307</u>	<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>
<u>\$82,226,641</u>	<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>	<u>\$76,167,779</u>	<u>\$71,085,827</u>

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

Fiscal Year	Property Taxes	Franchise Fees	Sales/Excise Tax ¹	Other Taxes	Total Taxes
2021	\$13,491,078	\$335,187		\$1,227,936	\$15,054,201
2020	13,004,013	343,202		1,113,041	14,460,256
2019	12,528,554	352,938		1,045,120	13,926,612
2018	11,819,570	353,476		1,009,470	13,182,516
2017	10,708,918	348,769	\$17,189	672,758	11,747,634
2016	10,235,502	346,777		763,492	11,345,771
2015	9,761,650	339,322		536,982	10,637,954
2014	9,395,859	342,607		321,178	10,059,644
2013	9,362,644	324,401		314,478	10,001,523
2012	9,184,422	307,594		288,812	9,780,828

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

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

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

Fiscal Year	Total Net Tax Levy	Collected in the Year of the Levy		Collections In Subsequent Years	Total Collections To Date	
		Current Tax Collections	Percent of Levy		Amount	Percent of Levy
2021	\$13,949,440	\$13,787,642	98.84%	\$63,208	\$13,850,850	99.29%
2020	13,554,811	13,415,879	98.98%	58,375	13,474,254	99.41%
2019	12,984,770	12,929,906	99.58%	54,864	12,984,770	100.00%
2018	12,271,685	12,184,513	99.29%	67,927	12,252,440	99.84%
2017	11,200,666	11,121,534	99.29%	69,889	11,191,423	99.92%
2016	10,620,130	10,510,986	98.97%	109,144	10,620,130	100.00%
2015	10,140,627	10,062,832	99.23%	65,232	10,128,064	99.88%
2014	9,739,414	9,648,527	99.07%	81,492	9,730,019	99.90%
2013	9,742,984	9,627,589	98.82%	101,397	9,728,986	99.86%
2012	9,559,080	9,400,793	98.34%	156,550	9,557,343	99.98%

Source of Data: Includes general fund and debt service funds

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

Fiscal Year	Real Property		Personal Property		Total		Ratio of Tax Capacity to Estimated Market Value	Total Direct Tax Rate
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2021	\$24,525,106	\$2,177,751,400	\$105,207	\$6,242,800	\$24,630,313	\$2,183,994,200	.0113:1	59.530
2020	22,631,009	2,026,039,800	110,369	6,469,300	22,741,378	2,032,509,100	.0112:1	62.672
2019	21,449,846	1,919,362,500	83,851	5,180,000	21,553,697	1,924,542,500	.0112:1	63.283
2018	20,178,290	1,819,179,300	89,005	5,472,300	20,267,295	1,824,651,600	.0111:1	63.768
2017	18,836,226	1,714,832,600	89,226	5,462,900	18,925,452	1,720,295,500	.0110:1	61.513
2016	18,269,331	1,669,155,800	91,010	5,494,500	18,360,341	1,674,650,300	.0110:1	60.653
2015	17,584,660	1,622,202,000	93,925	5,677,800	17,678,585	1,627,879,800	.0109:1	58.102
2014	16,865,181	1,575,917,700	96,222	5,796,800	16,961,403	1,581,714,500	.0107:1	59.018
2013	16,610,085	1,561,121,700	95,410	5,757,100	16,705,495	1,566,878,800	.0107:1	59.754
2012	16,774,602	1,594,105,600	88,362	5,224,600	16,862,964	1,599,330,200	.0105:1	58.051

Source: Steele County Auditor & Steele County Assessor

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

Year	Direct				Direct Total	Overlapping		Over-Lapping Total	Direct & Over-Lapping Total
	General	Debt Service	Capital Improve-Ment	Other		School District	County		
2021	48.790	6.658	3.303	.779	59.530	37.859	57.758	95.617	155.147
2020	51.025	7.581	3.221	.845	62.672	24.747	60.617	85.364	148.036
2019	51.069	8.006	3.366	.842	63.283	27.650	60.667	88.317	151.600
2018	50.637	6.801	5.480	.850	63.768	30.078	61.627	91.705	155.473
2017	51.376	7.122	2.172	.842	61.513	30.708	59.890	90.598	152.111
2016	50.294	7.811	1.727	.821	60.653	31.493	60.393	91.886	152.539
2015	46.627	7.887	1.993	1.595	58.102	16.662	59.533	76.195	134.297
2014	47.019	8.032	2.404	1.563	59.018	17.954	59.246	77.200	136.218
2013	47.682	7.142	3.348	1.582	59.754	19.375	62.495	81.870	141.624
2012	45.569	7.686	2.710	2.086	58.051	20.047	62.970	83.017	141.068

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

Source: Steele County Auditor and Steele County Assessor

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

Taxpayer	Business type	2021			2012		
		Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Viracon, Inc	Glass Products	\$542,412	1	2.21%	\$186,324	2	1.11%
Cybox	Manufacturing	280,632	2	1.15%	110,706	7	.66%
SMMPA	Utility	216,392	3	.88%			
Federated Mutual Insurance	Insurance	212,244	4	.87%	245,832	1	1.47%
Daikin, Inc.	Manufacturing	182,546	5	.74%			
Cabela's Retail	Retail	179,248	6	.73%	179,544	3	1.07%
Cheney Owatonna LLC	Apartments	176,856	7	.72%			
Costco Wholesale Corp	Industrial	171,844	8	.70%			
Owatonna Clinic – Mayo	Health System	154,678	9	.63%	154,648	5	.92%
Lemond Acquisitions	Industrial	154,160	10	.63%			
Mills Properties	Retail				163,253	4	.98%
Wenger Corp (JAS)	Musical Equip				119,896	6	.71%
Wal-Mart	Retail				109,378	8	.65%
Owatonna Hospitality	Commercial				109,032	9	.65%
Lakeside Foods	Manufacturing				107,460	10	.64%
		<u>\$2,271,012</u>		<u>9.26%</u>	<u>\$1,486,073</u>		<u>8.86%</u>

Source: Steele County Assessor
 Ranking based on tax capacity

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

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage Of Personal Income*	Per Capita*
	General Obligation Bonds	G.O. Improvement Bonds	Other Bonds ²	Lease Revenue Bonds	Capital Leases	Revenue Bonds	G.O. Revenue Bonds			
2021	\$9,769,360	\$5,749,772	\$405,000	\$0	\$0	\$0	\$5,192,104	\$21,116,236	N/A	N/A
2020	6,824,172	6,856,752	535,000	0	0	0	6,182,520	20,398,444	1.53%	\$772.08
2019	5,827,304	7,699,204	660,000	0	23,607	0	7,150,936	21,361,051	1.67%	811.78
2018	6,232,560	6,283,099	785,000	0	46,488	0	8,101,351	21,448,498	1.73%	822.19
2017	1,345,000	7,202,352	905,000	0	68,664	0	9,043,767	18,564,783	1.64%	716.18
2016	1,635,000	6,317,016	1,025,000	0	90,157	0	9,594,183	18,661,356	1.66%	721.57
2015	1,735,000	7,304,657	1,140,000	0	110,979	0	7,897,209	18,187,845	1.65%	705.45
2014	1,465,000	7,695,348	1,140,000	0	16,261	885,000	8,629,369	19,830,978	1.83%	772.83
2013	805,000	9,021,992	1,140,000	0	31,900	1,737,584	9,348,529	22,085,005	2.06%	863.57
2012	765,000	8,475,000	0	0	46,941	2,515,000	10,037,928	21,839,869	2.00%	857.51

*Personal income and population data can be found in the demographic statistics on page 143.

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

² Other Bonds consisted of TIF bonds in 2013-2021.

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

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2021	\$9,769,360	\$931,088	\$8,838,272	.3604:1	N/A
2020	6,824,172	894,229	5,929,943	.2608:1	\$224.45
2019	5,827,304	985,979	4,841,325	.2246:1	183.98
2018	6,232,560	524,364	5,708,196	.2816:1	218.81
2017	1,345,000	457,935	887,065	.0469:1	34.22
2016	1,635,000	535,675	1,099,325	.0599:1	42.51
2015	1,735,000	397,239	1,337,761	.0757:1	51.89
2014	1,465,000	208,537	1,256,463	.0741:1	48.97
2013	805,000	141,064	663,936	.0397:1	25.96
2012	765,000	126,388	638,612	.0379:1	25.07

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt Limit	\$65,520	\$60,975	\$54,736	\$54,740	\$51,609	\$50,240	\$48,836	\$47,451	\$47,006	\$47,980
Total net debt applicable to limit	8,838	5,930	4,841	5,709	887	1,099	1,333	1,256	664	639
Legal debt margin	56,682	55,045	52,895	49,031	50,722	49,141	47,503	46,195	46,342	47,341
Total net debt applicable to the limit as a % of debt limit	13.49%	9.73%	8.38%	10.43%	1.72%	2.19%	2.73%	2.65%	1.41%	1.33%

Legal Debt Margin Calculation for Current Fiscal Year

Market Value of Taxable Property	\$2,183,994
Debt limit (3% of market value)	65,520
Debt applicable to limit:	
General obligation bonds	9,769
Less: Amount set aside for repayment of general obligation debt	931
Total net debt applicable to limit	<u>8,838</u>
Legal debt margin	<u><u>\$56,682</u></u>

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

CITY OF OWATONNA, MINNESOTA
Computation of Direct and Overlapping Debt
End of Fiscal Year 2021

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Owatonna	City of Owatonna's Share of Debt
Direct:			
City of Owatonna	\$16,750,924	100.00%	\$16,750,924
Overlapping:			
School District	168,215,000	69.9%	117,582,285
Steele County	9,750,000	52.6%	5,128,500
Total overlapping debt			<u>122,710,785</u>
Total direct and overlapping debt			<u>\$139,461,709</u>

Source: Steele County Auditor

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

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

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2021	\$71,279,012	\$62,775,817	\$8,503,195	\$0	\$0	\$0	N/A
2020	58,079,537	51,434,393	6,645,144	0	0	0	N/A
2019	60,162,494	52,115,067	8,047,427	0	0	0	N/A
2018	60,113,090	53,285,399	6,827,691	0	0	0	N/A
2017	56,993,263	51,408,993	5,584,270	0	0	0	N/A
2016	55,506,821	49,306,287	6,200,534	0	0	0	N/A
2015	53,231,414	47,800,366	5,431,048	885,000	44,251	929,251	5.84
2014	60,769,422	54,868,584	5,900,838	830,000	85,750	915,750	6.44
2013	53,980,784	49,381,717	4,599,067	800,000	125,750	925,750	4.97
2012	51,378,741	45,864,009	5,514,732	745,000	163,000	908,000	6.07

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

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

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2021	\$1,625,760	\$197,581	\$1,428,179	\$410,000	\$77,438	\$487,438	2.93
2020	1,563,716	328,388	1,235,328	395,000	89,512	484,512	2.55
2019	1,277,473	412,094	865,379	385,000	101,210	486,210	1.78
2018	1,105,181	291,921	813,260	385,000	112,763	497,763	1.63
2017	1,245,870	229,467	1,016,403	0	61,244	61,244	16.60
2016	1,042,846	198,549	844,297	230,000	95,143	325,143	2.60
2015	653,918	229,302	424,616	225,000	103,674	328,674	1.29
2014	675,404	220,108	455,296	220,000	112,018	332,018	1.37
2013	584,554	153,262	431,292	210,000	119,817	329,817	1.31
2012	652,806	116,261	536,545	205,000	127,080	332,080	1.62

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

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

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income ³	School Enrollment ⁴	Average Annual Unemployment Rate ⁵
2021	N/A	N/A	N/A	5,019	3.5%
2020	26,420	\$1,365,993,260	\$51,703	5,067	4.8%
2019	26,314	1,278,334,120	48,580	5,100	3.2%
2018	26,087	1,241,845,548	47,604	5,060	2.9%
2017	25,922	1,128,877,178	43,549	5,075	3.4%
2016	25,862	1,124,221,140	43,470	5,048	3.6%
2015	25,782	1,101,200,784	42,712	4,985	3.4%
2014	25,660	1,086,239,120	42,332	4,990	3.8%
2013	25,574	1,071,243,712	41,888	4,906	4.9%
2012	25,469	1,093,791,674	42,946	4,851	5.7%

¹ State demographer estimate. 2020 Census

² Estimation; Calculated (population multiplied by per capita personal income)

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

⁴ Owatonna School District #761 – regular average daily membership

⁵ MN Department of Employment and Economic Development

N/A: Data was not available for this year

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

<u>Employer</u>	<u>Business type</u>	2021			2012		
		<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Viracon, Inc.	Glass products	1,642	1	7.65%	1,470	1	8.11%
Federated Mutual Insurance	Insurance	1,390	2	6.47%	1,100	2	6.07%
Owatonna ISD# 761	Education	775	3	3.61%	690	4	3.80%
Josten's Inc.	Recognition products	673	4	3.13%	420	8	2.32%
Cabela's	Outfitters/sporting goods	590	5	2.75%			
Truth Hardware Corp	Window hardware	508	6	2.36%	735	3	4.05%
Daikin	HVAC manufacturing	450	7	2.10%			
Wenger Corp	Musical equipment	430	8	2.00%	450	7	2.48%
Bosch	Specialty tools	377	9	1.75%	540	6	2.98%
Mayo Clinic Health System	Healthcare	350	10	1.63%	575	5	3.17%
Cybex	Exercise equipment mfg				295	10	1.63%
Steele County	County government				335	9	1.85%
Total		7,185		33.45%	6,830		37.66%

Source: 2012 – phone interview May 2012..
 2021 – phone interview May 2021.
 Total City employment data obtained from Minnesota Quarterly Census and Employment and Wages Data

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government										
Admin services	10.7	11.4	10.0	10.0	10.0	9.5	9.5	8.0	8.0	7.0
Govt buildings	7.4	8.1	9.1	9.1	10.1	10.1	10.1	10.1	10.4	8.0
Public safety										
Police	40.4	40.4	43.1	42.8	42.8	42.8	42.8	43.1	40.6	38.0
Fire	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Inspection	4.0	4.0	4.0	4.0	4.0	3.7	3.7	4.0	4.0	4.0
Public works										
Engineering	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Street maintenance	18.0	18.0	18.0	18.0	17.0	17.0	17.0	17.0	17.0	17.0
Airport	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0
Culture & recreation										
Library	11.9	13.1	14.1	14.1	14.1	13.9	12.5	11.4	11.9	10.0
Recreation – admin	5.7	4.7	5.2	5.2	4.9	4.2	4.0	3.5	3.8	2.0
Park maintenance	10.6	10.9	10.7	10.6	11.2	11.2	11.2	11.2	11.4	8.0
Adult recreation					1.0	1.0	1.0	1.0	1.0	1.0
Youth recreation	1.0	1.7	1.7	1.0	.9	.9	1.9	2.0	1.9	1.0
Tennis & fitness	1.7	1.7	1.7	1.7	1.7	1.7	1.0	1.0	1.0	1.0
Senior center	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Brooktree golf course	2.0	1.7	3.1	3.1	3.5	3.5	2.8	3.7	3.6	1.0
Housing & econ develop										
Planning & zoning	4.0	4.6	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Total	<u>136.9</u>	<u>139.8</u>	<u>144.2</u>	<u>143.1</u>	<u>143.7</u>	<u>143.0</u>	<u>140.5</u>	<u>138.0</u>	<u>136.6</u>	<u>120.0</u>

Source: Adopted 2012-2021 Budgets

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

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units – marked	14	14	14	12	13	13	13	13	13	14
Patrol units – unmarked	8	8	8	9	8	8	8	8	8	8
Police reserve unit - marked	2	2	2	3	3	2	2	2	4	2
Parking control	1	1	1	1	1	1	1	1	1	1
Off-road vehicle	0	0	0	1	1	1	1	1	1	1
Fire station										
Stations	1	1	1	1	1	1	1	1	1	1
Fire/Rescue vehicles	12	12	12	12	12	12	12	12	12	12
Streets										
Streets (miles)	163.1	163.1	162.8	162.3	162.3	161.9	161.9	161.9	161.9	161.9
Airport										
Primary Runway length (ft)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Secondary Runway length (ft)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Culture and recreation										
Senior center	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	13	13	13	16	16	16	16	16	16	16
Parks acreage	1,000	1,000	1,000	1,000	1,000	1,000	997	997	997	955
Parks	37	37	36	36	36	36	36	36	36	36
Water										
Storage capacity (millions of gallons)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Fire hydrants	1,246	1,249	1,233	1,229	1,240	1,232	1,234	1,319	1,319	1,319
Electric										
Number of customers	12,475	12,257	12,213	12,075	12,075	11,994	11,907	11,916	11,903	11,795
Gas										
Number of customers	10,749	10,616	10,584	10,497	10,487	10,447	10,385	10,411	10,339	10,263
Sewer										
Max daily treatment capacity (millions of gallons)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Various government departments

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Events	43,312	42,367	46,335	41,853	41,602	28,856	30,868	43,622	42,721	41,380
Group A crimes	762	254	438	462	428	608	739	665	720	646
Group B crimes	367	447	670	596	527	743	895	864	894	916
Traffic citations	1,548	1,660	1,572	1,656	1,614	1,249	1,436	2,130	2,807	2,829
Fire										
Number of calls	535	464	545	476	495	441	444	467	493	426
Aquatic Center										
Admissions	35,021	8,040	28,300	25,837	23,485	23,414	30,306	26,455	26,807	28,392
Library										
Circulation	141,988	129,468	240,423	259,075	256,732	271,978	283,172	293,025	316,171	337,171
Registered Users	19,116	23,881	25,227	26,734	26,775	26,442	28,720	26,959	28,854	27,145
Water										
Avg daily consumption (thousands of cubic ft)	493	503	465	497	497	477	482	488	477	515
Electric										
Avg daily consumption (thousands of KWh)	1,165	1,168	1,126	1,079	1,043	1,039	1,018	1,019	995	981
Gas										
Avg daily consumption (thousands of cubic ft)	5,323	5,524	6,242	5,940	5,350	4,860	5,353	6,189	5,937	4,648
Wastewater										
Avg daily sewage treatment (millions of gallons)	3.48	4.20	4.93	4.14	4.17	4.01	3.94	4.09	4.04	3.53

Source: Various government departments