

Annual Financial Report

City of Parkers Prairie
Parkers Prairie, Minnesota

For the Year Ended
December 31, 2019

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City of Parkers Prairie, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION
CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Parkers Prairie, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Birkholz	Mayor	12/31/20
Sandy Froemming	Council Member	12/31/22
Tony Woodworth	Council Member	12/31/20
Greg Larson	Council Member	12/31/22
Linda Martinson Bates	Council Member	12/31/20

APPOINTED

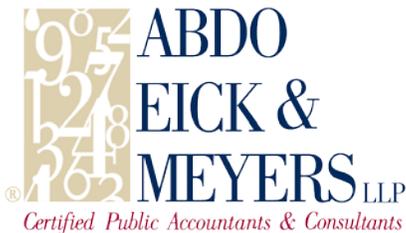
<u>Name</u>	<u>Title</u>
Beth Wussow	City Clerk - Treasurer
Viola Dorn	Deputy City Clerk

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FINANCIAL SECTION
CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Parkers Prairie, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Parkers Prairie, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Contributions and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

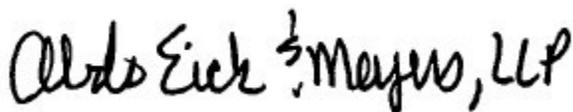
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 14, 2020

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Parkers Prairie, Minnesota

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 385,243	\$ 788,863	\$ 1,174,106
Receivables			
Taxes	11,094	-	11,094
Accounts	1,289	42,333	43,622
Special assessments	8,595	169,186	177,781
Notes	10,007	-	10,007
Due from other governments	12,422	5,822	18,244
Internal balances	342,056	(342,056)	-
Prepaid items	3,808	1,438	5,246
Pension asset	25,964	-	25,964
Capital assets			
Land	79,015	424,639	503,654
Depreciable capital assets, net	4,074,287	4,179,360	8,253,647
Total Assets	<u>4,953,780</u>	<u>5,269,585</u>	<u>10,223,365</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>182,107</u>	<u>4,349</u>	<u>186,456</u>
Liabilities			
Accounts payable	30,502	172,987	203,489
Accrued liabilities	3,393	2,625	6,018
Due to other governments	-	97	97
Accrued interest payable	2,358	49,926	52,284
Noncurrent liabilities			
Due within one year	32,345	128,022	160,367
Due in more than one year	147,306	3,439,000	3,586,306
Pension Liability	218,896	115,344	334,240
Total Liabilities	<u>434,800</u>	<u>3,908,001</u>	<u>4,342,801</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>340,136</u>	<u>53,829</u>	<u>393,965</u>
Net Position			
Net investment in capital assets	3,988,302	1,122,109	5,110,411
Restricted for			
Debt service	78,075	-	78,075
Housing and economic development	176,061	-	176,061
Lakes and recreation	6,256	-	6,256
Unrestricted	<u>112,257</u>	<u>189,995</u>	<u>302,252</u>
Total Net Position	<u>\$ 4,360,951</u>	<u>\$ 1,312,104</u>	<u>\$ 5,673,055</u>

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

City of Parkers Prairie, Minnesota
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 261,461	\$ 10,038	\$ 1,543	\$ -
Public safety	407,174	93,580	21,401	-
Public works	195,161	-	3,941	945,681
Culture and recreation	288,647	33,732	6,205	19,361
Housing and economic development	43,516	-	469	-
Interest on long-term debt	3,970	-	123,090	-
Total Governmental Activities	<u>1,199,929</u>	<u>137,350</u>	<u>156,649</u>	<u>965,042</u>
Business-type Activities				
Water	798,802	184,927	1,809	6,280
Sewer	593,907	199,504	1,759	6,507
Event center	172,271	51,984	3,960	-
Total Business-type Activities	<u>1,564,980</u>	<u>436,415</u>	<u>7,528</u>	<u>12,787</u>
Total Government-wide Activities	<u>\$ 2,764,909</u>	<u>\$ 573,765</u>	<u>\$ 164,177</u>	<u>\$ 977,829</u>

General Revenues and Transfers

Taxes

Property taxes

Lodging taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (249,880)	\$ -	\$ (249,880)
(292,193)	-	(292,193)
754,461	-	754,461
(229,349)	-	(229,349)
(43,047)	-	(43,047)
119,120	-	119,120
<u>59,112</u>	<u>-</u>	<u>59,112</u>
-	(605,786)	(605,786)
-	(386,137)	(386,137)
-	(116,327)	(116,327)
<u>-</u>	<u>(1,108,250)</u>	<u>(1,108,250)</u>
<u>59,112</u>	<u>(1,108,250)</u>	<u>(1,049,138)</u>
582,093	-	582,093
10,070	-	10,070
272,593	-	272,593
11,044	-	11,044
8	-	8
11,000	-	11,000
3,500	(3,500)	-
<u>890,308</u>	<u>(3,500)</u>	<u>886,808</u>
949,420	(1,111,750)	(162,330)
<u>3,411,531</u>	<u>2,423,854</u>	<u>5,835,385</u>
<u>\$ 4,360,951</u>	<u>\$ 1,312,104</u>	<u>\$ 5,673,055</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Parkers Prairie, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

	General	Fire Equipment	2017 G.O. Equipment Certificates	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 78,996	\$ 159,482	\$ -	\$ 146,765	\$ 385,243
Receivables					
Taxes	11,094	-	-	-	11,094
Accounts	1,289	-	-	-	1,289
Special assessments	5,595	-	-	3,000	8,595
Notes	-	-	-	10,007	10,007
Due from other governments	12,422	-	-	-	12,422
Due from other funds	342,056	-	-	-	342,056
Prepaid items	3,808	-	-	-	3,808
Total Assets	\$ 455,260	\$ 159,482	\$ -	\$ 159,772	\$ 774,514
Liabilities					
Accounts payable	\$ 18,148	\$ 12,354	\$ -	\$ -	\$ 30,502
Accrued liabilities	3,393	-	-	-	3,393
Total Liabilities	21,541	12,354	-	-	33,895
Deferred Inflows of Resources					
Unavailable revenue - property taxes	11,094	-	-	-	11,094
Unavailable revenue - special assessments	5,595	-	-	3,000	8,595
Total Deferred Inflows of Resources	16,689	-	-	3,000	19,689
Fund Balances					
Nonspendable	3,808	-	-	-	3,808
Restricted	-	-	-	259,750	259,750
Committed	-	147,128	-	-	147,128
Assigned	371,300	-	-	-	371,300
Unassigned	41,922	-	-	(102,978)	(61,056)
Total Fund Balances	417,030	147,128	-	156,772	720,930
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 455,260	\$ 159,482	\$ -	\$ 159,772	\$ 774,514

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

City of Parkers Prairie, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2019

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

Total Fund Balances - Governmental	\$ 720,930
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	5,863,377
Less: accumulated depreciation	(1,710,075)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent property taxes receivable	11,094
Special assessments receivable	8,595
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements.	
Bonds payable	(165,000)
Compensated absences payable	(14,651)
Pension liability	(192,932)
Governmental funds do not report a liability for accrued interest until due and payable.	(2,358)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	182,107
Deferred inflows of resources	(340,136)
Total Net Position - Governmental Activities	\$ 4,360,951

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

City of Parkers Prairie, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Fire Equipment	2017 G.O. Equipment Certificates	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 601,570	\$ -	\$ -	\$ -	\$ 601,570
Licenses and permits	6,613	-	-	-	6,613
Intergovernmental	289,385	50,000	-	-	339,385
Charges for services	47,105	28,943	-	-	76,048
Fines and forfeitures	2,000	-	-	-	2,000
Special assessments	-	-	-	945	945
Interest on investments	9,590	1,454	-	-	11,044
Miscellaneous and contributions	22,808	225	123,090	13,864	159,987
Total Revenues	<u>979,071</u>	<u>80,622</u>	<u>123,090</u>	<u>14,809</u>	<u>1,197,592</u>
Expenditures					
Current					
General government	216,674	-	-	-	216,674
Public safety	311,499	-	-	-	311,499
Public works	142,980	-	-	-	142,980
Culture and recreation	152,533	-	-	2,323	154,856
Housing and economic development	10,583	-	-	-	10,583
Capital outlay					
General government	786	-	-	-	786
Public safety	1,500	282,013	-	1,413	284,926
Public works	54,468	-	-	47,963	102,431
Culture and recreation	9,639	-	-	-	9,639
Debt services					
Principal	-	-	120,000	12,000	132,000
Interest and other	-	-	3,090	1,938	5,028
Total Expenditures	<u>900,662</u>	<u>282,013</u>	<u>123,090</u>	<u>65,637</u>	<u>1,371,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,409</u>	<u>(201,391)</u>	<u>-</u>	<u>(50,828)</u>	<u>(173,810)</u>
Other Financing Sources (Uses)					
Sale of capital assets	12,229	5,000	-	-	17,229
Loans issued	-	70,000	-	-	70,000
Transfers in	-	29,182	-	16,049	45,231
Transfers out	(41,731)	-	-	-	(41,731)
Total Other Financing Sources (Uses)	<u>(29,502)</u>	<u>104,182</u>	<u>-</u>	<u>16,049</u>	<u>90,729</u>
Net Change in Fund Balances	48,907	(97,209)	-	(34,779)	(83,081)
Fund Balances, January 1	<u>368,123</u>	<u>244,337</u>	<u>-</u>	<u>191,551</u>	<u>804,011</u>
Fund Balances, December 31	<u>\$ 417,030</u>	<u>\$ 147,128</u>	<u>\$ -</u>	<u>\$ 156,772</u>	<u>\$ 720,930</u>

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

City of Parkers Prairie, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (83,081)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	322,719
Contributed capital assets	945,486
Depreciation expense	(214,134)
Book value of assets disposed	(47,500)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	132,000
Loan issued	(70,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,058
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Delinquent taxes	(9,407)
Special assessments	(750)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(4,986)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(23,913)
Pension revenue from State contributions	1,928
Change in Net Position - Governmental Activities	\$ 949,420

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

City of Parkers Prairie, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 590,138	\$ 590,138	\$ 601,570	\$ 11,432
Licenses and permits	2,600	2,600	6,613	4,013
Intergovernmental	289,035	289,035	289,385	350
Charges for services	56,312	56,312	47,105	(9,207)
Fines and forfeitures	5,000	5,000	2,000	(3,000)
Interest on investments	1,200	1,200	9,590	8,390
Miscellaneous	9,650	9,650	22,808	13,158
Total Revenues	<u>953,935</u>	<u>953,935</u>	<u>979,071</u>	<u>25,136</u>
Expenditures				
Current				
General government	193,215	193,215	216,674	(23,459)
Public safety	302,181	302,181	311,499	(9,318)
Public works	133,139	133,139	142,980	(9,841)
Culture and recreation	144,376	144,376	152,533	(8,157)
Economic development	11,500	11,500	10,583	917
Capital outlay				
General government	1,000	1,000	786	214
Public safety	21,000	21,000	1,500	19,500
Public works	81,500	81,500	54,468	27,032
Culture and recreation	4,000	4,000	9,639	(5,639)
Total Expenditures	<u>891,911</u>	<u>891,911</u>	<u>900,662</u>	<u>(8,751)</u>
Excess of Revenues Over Expenditures	<u>62,024</u>	<u>62,024</u>	<u>78,409</u>	<u>16,385</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	12,229	12,229
Transfers out	(62,024)	(62,024)	(41,731)	20,293
Total Other Financing Sources (Uses)	<u>(62,024)</u>	<u>(62,024)</u>	<u>(29,502)</u>	<u>32,522</u>
Net Change in Fund Balances	-	-	48,907	48,907
Fund Balances, January 1	<u>368,123</u>	<u>368,123</u>	<u>368,123</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 368,123</u>	<u>\$ 368,123</u>	<u>\$ 417,030</u>	<u>\$ 48,907</u>

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

City of Parkers Prairie, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Event Center	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 425,805	\$ 461,782	\$ (98,724)	\$ 788,863
Receivables				
Accounts	20,470	21,145	718	42,333
Special assessments	15,772	16,058	-	31,830
Due from other governments	2,721	2,892	209	5,822
Prepaid items	508	606	324	1,438
Total Current Assets	<u>465,276</u>	<u>502,483</u>	<u>(97,473)</u>	<u>870,286</u>
Noncurrent Assets				
Special assessments receivable	67,638	69,718	-	137,356
Capital assets				
Land	-	424,639	-	424,639
Improvements other than land	-	-	32,400	32,400
Buildings and improvements	8,090	-	1,462,996	1,471,086
Infrastructure	2,910,622	2,006,506	-	4,917,128
Machinery and equipment	195,875	63,486	34,572	293,933
Less accumulated depreciation	(889,430)	(1,145,750)	(500,007)	(2,535,187)
Total Capital Assets	<u>2,225,157</u>	<u>1,348,881</u>	<u>1,029,961</u>	<u>4,603,999</u>
Total Noncurrent Assets	<u>2,292,795</u>	<u>1,418,599</u>	<u>1,029,961</u>	<u>4,741,355</u>
Total Assets	<u>2,758,071</u>	<u>1,921,082</u>	<u>932,488</u>	<u>5,611,641</u>
Deferred Outflows of Resources				
Deferred pension resources	1,551	1,555	1,243	4,349
Liabilities				
Current Liabilities				
Accrued liabilities	995	995	635	2,625
Accounts payable	102,406	66,337	4,244	172,987
Due to other governments	97	-	-	97
Due to other funds	-	-	342,056	342,056
Accrued interest payable	35,107	14,819	-	49,926
Compensated absences payable - current	2,511	2,511	-	5,022
Bonds payable - current	83,500	39,500	-	123,000
Total Current Liabilities	<u>224,616</u>	<u>124,162</u>	<u>346,935</u>	<u>695,713</u>
Noncurrent Liabilities				
Pension liability	43,282	43,290	28,772	115,344
Bonds payable	2,404,460	1,034,540	-	3,439,000
Total Noncurrent Liabilities	<u>2,447,742</u>	<u>1,077,830</u>	<u>28,772</u>	<u>3,554,344</u>
Total Liabilities	<u>2,672,358</u>	<u>1,201,992</u>	<u>375,707</u>	<u>4,250,057</u>
Deferred Inflows of Resources				
Deferred pension resources	20,212	20,213	13,404	53,829
Net Position				
Net investment in capital assets	(212,010)	304,158	1,029,961	1,122,109
Unrestricted	279,062	396,274	(485,341)	189,995
Total Net Position	<u>\$ 67,052</u>	<u>\$ 700,432</u>	<u>\$ 544,620</u>	<u>\$ 1,312,104</u>

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

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City of Parkers Prairie, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Event Center	Totals
Charges for services	\$ 184,832	\$ 199,410	\$ 51,922	\$ 436,164
Miscellaneous	1,904	1,853	4,022	7,779
Total Operating Revenues	<u>186,736</u>	<u>201,263</u>	<u>55,944</u>	<u>443,943</u>
Operating Expenses				
Personnel services	77,172	77,120	59,025	213,317
Supplies	3,935	9,648	7,211	20,794
Professional services	2,513	2,573	-	5,086
Repairs and maintenance	453	21,212	-	21,665
Depreciation	51,752	51,081	38,735	141,568
Other services and charges	17,560	23,329	67,300	108,189
Total Operating Expenses	<u>153,385</u>	<u>184,963</u>	<u>172,271</u>	<u>510,619</u>
Operating Income (Loss)	<u>33,351</u>	<u>16,300</u>	<u>(116,327)</u>	<u>(66,676)</u>
Nonoperating Expenses				
Bond discount amortization	-	(1,655)	-	(1,655)
Bond issuance costs	(14,671)	(9,064)	-	(23,735)
Capital contribution to governmental activities	(568,613)	(376,873)	-	(945,486)
Interest expense	(62,133)	(21,352)	-	(83,485)
Total Nonoperating Expenses	<u>(645,417)</u>	<u>(408,944)</u>	<u>-</u>	<u>(1,054,361)</u>
Loss Before Capital Contributions and Transfers	(612,066)	(392,644)	(116,327)	(1,121,037)
Capital Contributions	6,280	6,507	-	12,787
Transfers Out	<u>-</u>	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>
Change in Net Position	(605,786)	(389,637)	(116,327)	(1,111,750)
Net Position, January 1	<u>672,838</u>	<u>1,090,069</u>	<u>660,947</u>	<u>2,423,854</u>
Net Position, December 31	<u>\$ 67,052</u>	<u>\$ 700,432</u>	<u>\$ 544,620</u>	<u>\$ 1,312,104</u>

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

City of Parkers Prairie, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Event Center	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 192,459	\$ 205,457	\$ 56,200	\$ 454,116
Payments to suppliers	(24,566)	(55,684)	(93,471)	(173,721)
Payments to employees	(83,005)	(82,953)	(61,453)	(227,411)
Net Cash Provided (Used) by Operating Activities	<u>84,888</u>	<u>66,820</u>	<u>(98,724)</u>	<u>52,984</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	-	(3,500)	-	(3,500)
Cash Flows from Capital and Related Financing Activities				
Grant proceeds	55,364	29,225	-	84,589
Acquisition of capital assets	(917,348)	(558,193)	-	(1,475,541)
Special assessments received	14,580	14,807	-	29,387
Proceeds from bonds issued	1,013,789	648,476	-	1,662,265
Interest paid on long-term debt	(47,311)	(11,097)	-	(58,408)
Principal paid on long-term debt	(70,000)	(36,000)	-	(106,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>49,074</u>	<u>87,218</u>	<u>-</u>	<u>136,292</u>
Net Increase (Decrease) in Cash and Cash Equivalents	133,962	150,538	(98,724)	185,776
Cash and Cash Equivalents, January 1	<u>291,843</u>	<u>311,244</u>	<u>-</u>	<u>603,087</u>
Cash and Cash Equivalents, December 31	<u>\$ 425,805</u>	<u>\$ 461,782</u>	<u>\$ (98,724)</u>	<u>\$ 788,863</u>

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

City of Parkers Prairie, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Event Center	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by				
Operating Activities				
Operating income (loss)	\$ 33,351	\$ 16,300	\$ (116,327)	\$ (66,676)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	51,752	51,081	38,735	141,568
(Increase) decrease in assets				
Accounts receivable	6,395	4,388	465	11,248
Due from other governments	(2,721)	(2,892)	(209)	(5,822)
Special assessments receivable	2,049	2,698	-	4,747
Donations pledged, net	-	-	5,336	5,336
Prepaid items	659	(43)	71	687
Decrease in deferred outflows				
Deferred pension resources	8,546	8,546	5,387	22,479
Increase (decrease) in liabilities				
Accounts payable	(722)	1,121	(5,589)	(5,190)
Due to other governments	(42)	-	-	(42)
Accrued salaries payable	(260)	(260)	-	(520)
Deposits payable	-	-	(18,778)	(18,778)
Compensated absences payable	(503)	(503)	-	(1,006)
Pension liability	(6,667)	(6,667)	(3,708)	(17,042)
Increase (decrease) in deferred inflows				
Deferred pension resources	(6,949)	(6,949)	(4,107)	(18,005)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 84,888</u>	 <u>\$ 66,820</u>	 <u>\$ (98,724)</u>	 <u>\$ 52,984</u>
 Schedule of Noncash Capital and Related Financing Activities				
Capital assets contributed to other funds	<u>\$ 568,613</u>	<u>\$ 376,873</u>	<u>\$ -</u>	<u>\$ 945,486</u>
Amortization of bond discount	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ -</u>	<u>\$ 1,655</u>
Capital assets purchased on account	<u>\$ 101,616</u>	<u>\$ 64,967</u>	<u>\$ -</u>	<u>\$ 166,583</u>

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

City of Parkers Prairie, Minnesota
Statement of Net Position
Fiduciary Fund
December 31, 2019

	<u>Private-Purpose Trust Fund</u>
Assets	
Cash and investments	<u>\$ 130,191</u>
Net Position	
Held in trust for other purposes	<u>\$ 130,191</u>

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

City of Parkers Prairie, Minnesota
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2019

	Private-Purpose Trust Fund
Additions	
Interest on investments	\$ 2,265
Deductions	
Payment to joint powers ambulance	1,789
Change in Net Position	476
Net Position, January 1	129,715
Net Position, December 31	\$ 130,191

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

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City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Parkers Prairie, Minnesota (the City) has a Mayor-Council form of government. A Mayor and four City Council members are elected by the voters of the City. For financial reporting purposes, the City's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other component units for which the city is considered to be financially accountable.

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. The City has no component units that meet the criteria above.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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 and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental fund:

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

The *Fire Equipment fund* is used to account for fire equipment purchases and related funding sources.

The *2017 GO Equipment Certificate fund* is used to account for the repayment of the 2017 G.O. Equipment Certificates.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Event Center fund* accounts for the costs associated with the City's Event Center's operations.

Additionally, the City reports the following fund type:

Fiduciary funds accounts for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *Private-Purpose Trust fund* - This fund is used to report trust arrangement between the City and surrounding townships for the purposes of supporting the operating budget of the joint powers ambulance services.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

Although the City has not adopted a formal investment policy, they follow statutes set forth by the State of Minnesota.

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

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

Currently the City has not invested in any of the above investments.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The City Council annually adopts a tax levy by December 28th of each year and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments on May 15th and October 15th. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Taxes which remain unpaid at December 31st are classified as delinquent taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

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

Prepaid Items

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

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to implement GASB 34 prospectively, thus excluding infrastructure assets which were constructed before 1999. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Useful Lives in Years
Buildings	20 - 40
Machinery, Equipment and Vehicles	5 - 30
Infrastructure	30 - 50

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which is paid to the employee upon separation. A portion of unused sick leave may also be paid upon separation from City service. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences payable.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Long-term Obligations

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

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

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

The total pension expense for the GERP, PEPFP and the Parkers Prairie Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension Expense	\$ 10,005	\$ 26,882	\$ 44,756	\$ 81,643

Deferred Inflows of Resources

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

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

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

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

An operating budget is adopted each year for the General and Debt Service fund and is prepared on a basis consistent with generally accepted accounting principles. Before September 30th, the proposed budget is presented to City Council for review. The City Council adopts a preliminary maximum levy at that time. The City Council adopts a final budget and tax levy in December of each year. Annual appropriations lapse at year end. Encumbrances outstanding at year end expire and are not reported in the financial statements. Budget amounts are as originally adopted by the City Council.

Administration can authorize transfers of budgeted amounts within any fund. Revisions that change total expenditures of any fund must be approved by the City Council. Budgetary control is maintained at the department of expenditure category within each activity and is in compliance with Minnesota statutes.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 891,911	\$ 900,662	\$ 8,751

The excess expenditures were funded by revenues in excess of expectations.

C. Deficit Fund Equity

The following fund had a deficit fund equity at December 31, 2019.

Fund	Amount
Nonmajor	
2016 G.O. Improvement Bond	\$ 9,752
Pool Capital	28,063
Safe Routes to School	65,163

The deficits will be funded with future revenue sources, including tax levies, donations and grants.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City’s carrying amount of deposits was \$1,299,677 and the bank balance was \$1,304,301. The entire bank balance was covered by Federal depository insurance or by collateral held by the City’s agent in the City’s name.

A reconciliation of cash and investments as shown on the financial statements for the City follows:

	Primary Government	Fiduciary Fund	Total
Carrying Amount of Deposits	\$ 1,169,486	\$ 130,191	\$ 1,299,677
Cash on Hand	4,620	-	4,620
Total	<u>\$ 1,174,106</u>	<u>\$ 130,191</u>	<u>\$ 1,304,297</u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 71,276	\$ -	\$ (39,162)	\$ 32,114
Construction in progress	-	46,901	-	46,901
Total Capital Assets not Being Depreciated	<u>71,276</u>	<u>46,901</u>	<u>(39,162)</u>	<u>79,015</u>
Capital Assets Being Depreciated				
Buildings	1,088,040	-	-	1,088,040
Infrastructure	2,374,962	945,486	-	3,320,448
Machinery and equipment	1,186,386	275,818	(86,330)	1,375,874
Total Capital Assets Being Depreciated	<u>4,649,388</u>	<u>1,221,304</u>	<u>(86,330)</u>	<u>5,784,362</u>
Less Accumulated Depreciation				
Buildings	(615,868)	(29,863)	-	(645,731)
Infrastructure	(135,578)	(116,277)	-	(251,855)
Machinery and equipment	(822,487)	(67,994)	77,992	(812,489)
Total Accumulated Depreciation	<u>(1,573,933)</u>	<u>(214,134)</u>	<u>77,992</u>	<u>(1,710,075)</u>
Total Capital Assets Being Depreciated, Net	<u>3,075,455</u>	<u>1,007,170</u>	<u>(8,338)</u>	<u>4,074,287</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,146,731</u>	<u>\$ 1,054,071</u>	<u>\$ (47,500)</u>	<u>\$ 4,153,302</u>

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

Governmental Activities	
General government	\$ 33,659
Public safety	50,066
Public works	10,379
Culture and recreation	<u>120,030</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 214,134</u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 424,639	\$ -	\$ -	\$ 424,639
Construction in progress	611,404	46,534	(657,938)	-
Total Capital Assets not Being Depreciated	1,036,043	46,534	(657,938)	424,639
Capital Assets Being Depreciated				
Buildings	1,471,086	-	-	1,471,086
Improvements other than buildings	32,400	-	-	32,400
Infrastructure	3,617,086	1,300,042	-	4,917,128
Machinery and equipment	285,933	8,000	-	293,933
Total Capital Assets Being Depreciated	5,406,505	1,308,042	-	6,714,547
Less Accumulated Depreciation				
Buildings	(409,297)	(36,777)	-	(446,074)
Improvements other than buildings	(20,827)	(2,160)	-	(22,987)
Infrastructure	(1,686,870)	(101,100)	-	(1,787,970)
Machinery and equipment	(276,625)	(1,531)	-	(278,156)
Total Accumulated Depreciation	(2,393,619)	(141,568)	-	(2,535,187)
Total Capital Assets Being Depreciated, Net	3,012,886	1,166,474	-	4,179,360
Governmental Activities				
Capital Assets, Net	\$ 4,048,929	\$ 1,213,008	\$ (657,938)	\$ 4,603,999
Business-type Activities				
Water				\$ 51,752
Sewer				51,081
Event center				38,735
Total Depreciation Expense - Business-type Activities				\$ 141,568

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Event Center	Cash flow	<u>\$ 342,056</u>

This balance is related to a cash deficit in the payable fund.

The City made transfers during the fiscal year 2019 as shown and described below:

<u>Fund</u>	<u>Transfers in</u>		
	<u>Fire Equipment</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers Out			
General	\$ 25,682	\$ 16,049	\$ 41,731
Sewer	3,500	-	3,500
Total	<u>\$ 29,182</u>	<u>\$ 16,049</u>	<u>\$ 45,231</u>

- The City's General fund transferred \$1,331 to the Nonmajor Governmental Ambulance Capital Fund.
- The City's General fund transferred \$14,718 to the Nonmajor Governmental 2016 G.O. Improvement Bonds fund for future debt service payments.
- The City's General fund and Sewer fund transferred \$25,682 and \$3,500, respectively to the Fire Equipment fund.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund related G.O., G.O. improvement, and G.O. revenue bonds. G.O. bonds are direct obligations and pledge the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G. O. Equipment Certificates, Series 2016A	\$ 119,000	1.15 - 2.5 %	06/02/16	02/01/26	\$ 95,000
G.O. Improvement Refunding Note, Series 2016A	310,000	2.3	12/01/16	02/01/23	<u>187,000</u>
Total G.O. Bonds					<u><u>\$ 282,000</u></u>

Annual debt service requirements to maturity for G.O. bonds are as follows:

Year Ending December 31,	G.O. Bonds					
	Governmental Activities		Business-type Activities			Total
	Principal	Interest	Total	Principal	Interest	
2020	\$ 13,000	\$ 1,768	\$ 14,768	\$ 47,000	\$ 3,761	\$ 50,761
2021	13,000	1,570	14,570	46,000	2,691	48,691
2022	13,000	1,352	14,352	45,000	1,645	46,645
2023	13,000	1,114	14,114	49,000	563	49,563
2024	14,000	843	14,843	-	-	-
2025 - 2026	29,000	724	29,724	-	-	-
Total	<u><u>\$ 95,000</u></u>	<u><u>\$ 7,371</u></u>	<u><u>\$ 102,371</u></u>	<u><u>\$ 187,000</u></u>	<u><u>\$ 8,660</u></u>	<u><u>\$ 195,660</u></u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water, Sewer and Liquor funds and are backed by the taxing power of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Revenue					
Bonds, Series 2016	\$ 1,067,000	1.0 - 3.5 %	06/02/16	02/01/36	\$ 954,000
G.O. Utility Revenue					
Bonds, Series 2018	755,000	3.0 - 4.0	07/16/18	02/01/38	735,000
G.O. Utility Revenue					
Bonds, Series 2019	1,686,000	3.15	06/10/19	02/01/39	<u>1,686,000</u>
 Total G.O. Bonds					 <u><u>\$ 3,375,000</u></u>

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Business-type Activities		
	Principal	Interest	Total
2020	\$ 76,000	\$ 111,759	\$ 187,759
2021	143,000	101,587	244,587
2022	146,000	97,780	243,780
2023	149,000	93,821	242,821
2024	158,000	89,603	247,603
2025 - 2029	851,000	376,387	1,227,387
2030 - 2034	984,000	230,971	1,214,971
2035 - 2039	868,000	64,233	932,233
 Total	 <u><u>\$ 3,375,000</u></u>	 <u><u>\$ 1,166,141</u></u>	 <u><u>\$ 4,541,141</u></u>
		<u>Water</u>	<u>Sewer</u>
Net Operating Revenues		\$ 186,736	\$ 201,263
Principal and Interest		117,311	47,097
Percentage of Revenues		62.82 %	23.40 %

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Loan Payable

The following loan was issued to finance fire department equipment purchases. The loan will be repaid from future charges for services.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
USDA Rural Development Loan	\$ 70,000	3.875 %	05/31/19	05/26/31	<u>\$ 70,000</u>

Annual debt service requirements to maturity for the loan payable are as follows:

Year Ending December 31,	Loan Payable		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ 4,694	\$ 2,713	\$ 7,407
2021	4,875	2,530	7,405
2022	5,064	2,341	7,405
2023	5,261	2,146	7,407
2024	5,464	1,942	7,406
2025 - 2029	30,667	6,363	37,030
2030 - 2031	13,975	837	14,812
Total	<u>\$ 70,000</u>	<u>\$ 18,872</u>	<u>\$ 88,872</u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 227,000	\$ -	\$ (132,000)	\$ 95,000	\$ 13,000
Loan Payable	-	70,000	-	70,000	4,694
Compensated Absences Payable	9,665	9,625	(4,639)	14,651	14,651
	<u>9,665</u>	<u>9,625</u>	<u>(4,639)</u>	<u>14,651</u>	<u>14,651</u>
Governmental Activities Long-term Liabilities	<u>\$ 236,665</u>	<u>\$ 79,625</u>	<u>\$ (136,639)</u>	<u>\$ 179,651</u>	<u>\$ 32,345</u>
Business-type Activities					
Bonds Payable					
G.O. bonds	\$ 229,000	\$ -	\$ (42,000)	\$ 187,000	\$ 47,000
G.O. revenue bonds	1,753,000	1,686,000	(64,000)	3,375,000	76,000
Unamortized Discount on Bonds	(1,655)	-	1,655	-	-
Total bonds payable	1,980,345	1,686,000	(104,345)	3,562,000	123,000
Compensated Absences Payable	6,028	584	(1,590)	5,022	5,022
	<u>6,028</u>	<u>584</u>	<u>(1,590)</u>	<u>5,022</u>	<u>5,022</u>
Business-type Activities Long-term Liabilities	<u>\$ 1,986,373</u>	<u>\$ 1,686,584</u>	<u>\$ (105,935)</u>	<u>\$ 3,567,022</u>	<u>\$ 128,022</u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. Fund Balance Classifications

The following is a summary of the components of fund balance:

	General	Other Governmental Funds	Total
Nonspendable			
Prepaid items	\$ 3,808	\$ -	\$ 3,808
Restricted for			
Debt service	\$ -	\$ 77,433	\$ 77,433
Economic development	-	176,061	176,061
Lakes and recreation	-	6,256	6,256
Total Restricted	\$ -	\$ 259,750	\$ 259,750
Committed for			
Fire equipment	\$ -	\$ 147,128	\$ 147,128
Assigned to			
Police vehicle	\$ 5,671	\$ -	\$ 5,671
Police forfeiture	1,738	-	1,738
Streets	204,672	-	204,672
Economic development	16,462	-	16,462
Mower	18,757	-	18,757
Buildings	51,131	-	51,131
Storm sewer	72,869	-	72,869
Total Assigned	\$ 371,300	\$ -	\$ 371,300

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERP)

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

Public Employees Police and Fire Plan (PEFPF)

The PEFPF 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 PEFPF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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

B. Benefits Provided

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

GERP Benefits

GERP benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

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

PEPFP Benefits

Benefits for the PEPFP members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFP members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$20,712, \$19,337 and \$22,389, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

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

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the PEPFF for the years ending December 31, 2019, 2018 and 2017 were \$22,146, \$21,992 and \$20,968, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$199,036 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2016. 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 \$6,166. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0036 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$ 199,036
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	6,166
	6,166
Total	\$ 205,202

For the year ended December 31, 2019, the City recognized pension expense of \$9,543 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized \$462 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 16,738	\$ 1,373
Changes in Actuarial Assumptions	4,649	26,368
Net Difference Between Projected and Actual Earnings on Plan Investments	-	32,903
Changes in Proportion	4,573	63,751
Contributions to PERA Subsequent to the Measurement Date	11,109	-
Total	\$ 37,069	\$ 124,395

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$11,109 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	(35,740)
2021		(51,798)
2022		(11,217)
2023		320

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$135,204 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0127 percent which was a decrease of 0.0000 from its proportionate measure as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$25,167 for its proportionate share of the Police and Fire Fund's pension expense. In addition, the City recognized \$1,715 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 6,810	\$ 23,428
Changes in Actuarial Assumptions	122,723	161,275
Net Difference Between Projected and Actual Earnings on Plan Investments	-	26,392
Changes in Proportion	8,569	8,781
Contributions to PERA Subsequent to the Measurement Date	<u>11,285</u>	<u>-</u>
Total	<u>\$ 149,387</u>	<u>\$ 219,876</u>

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$11,285 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	(10,499)
2021		(20,407)
2022		(52,782)
2023		2,028
2024		(114)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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 Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.30
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	<u>2.0</u>	-
Total	<u><u>100.0 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employee Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 327,204	\$ 199,036	\$ 93,207
Poice and Fire Fund	295,532	135,204	3

H. Pension Plan Fiduciary Net Position

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

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Parkers Prairie Fire Departments participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 26 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353 G.

B. Benefits Provided

The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service.

Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed in fire state aid to the plan on behalf of the Parkers Prairie Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no required contributions to the SVF plan for the year ended December 31, 2019. The City's contributions were equal to the required contributions as set by state statute. The City made \$26,000 in voluntary contributions to the plan.

D. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

E. Pension Costs

At December 31, 2019, the City reported a net pension liability of \$28,210 for the SVF plan. The net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability during the year:

For the year ended December 31, 2019, the City recognized pension expense of \$7,886.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2019, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 21,396
Net Difference between Projected and Actual Earnings on Plan Investments	-	28,298
Total	\$ -	\$ 49,694

Deferred outflows and inflows of resources related to SVF pensions will be recognized in pension expense as follows:

2020	\$ (15,562)
2021	(13,651)
2022	(6,305)
2023	(14,176)

F. Actuarial Assumptions

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

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2019.

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

G. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.00 %	5.10 %
International Stocks	15.00	5.30
Bonds	45.00	0.75
Cash	<u>5.00</u>	
Total	<u><u>100.00 %</u></u>	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2019 for the Volunteer Firefighter Fund.

H. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

I. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
SVF	\$ (15,118)	\$ (25,964)	\$ (36,136)

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

City of Parkers Prairie, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

In accordance with Minnesota statute, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The city is not in excess of this margin.

Note 7: Jointly Governed Organization

Parkers Prairie Community Ambulance - On June 17, 1991, the City of Parkers Prairie, Eastern Township, Effington Township, Parkers Prairie Township, and parts of Elmo and Woodside Townships entered into a joint powers agreements, as authorized by Minnesota statutes to provide ambulance services to its members jurisdictions. The agreement sets up a Board of Directors to manage all the affairs, property and business of the Parkers Prairie Community Ambulance. The board is composed of six members, one appointed from each municipalities governing board serving three year staggered terms. In addition, the President of the Ambulance Volunteers and Medical Director of Ambulance Volunteers serve on the board as ex-officio members without voting privileges. The cost of running the ambulance service is supported by the members and user charges. For the year ended December 31, 2019, the City of Parkers Prairie made contributions for operations of \$6,000.

The City of Parkers Prairie had related party transactions with the Parkers Prairie Community Ambulance. The joint organization paid the City \$-0- for rental of office and garage space. The Parkers Prairie Community Ambulance has not issued audited financial statements for 2019.

Note 8: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the its impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. Plan assets may have seen unrealized market losses as of April 14, 2020. However, City management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Parkers Prairie, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2019

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0036 %	\$ 199,036	\$ 6,166	\$ 205,202	\$ 254,247	78.3 %	80.2 %
06/30/18	0.0040	231,547	7,224	228,900	265,091	87.3	79.5
06/30/17	0.0054	344,732	4,306	349,038	345,787	99.7	75.9
06/30/16	0.0051	414,095	1,592	415,687	292,907	141.4	68.9
06/60/15	0.0050	259,126	-	259,126	312,555	82.9	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 20,712	\$ 20,712	\$ -	\$ 276,154	7.5 %
12/31/18	19,337	19,337	-	257,828	7.5
12/31/17	22,389	22,389	-	298,520	7.5
12/31/16	25,407	25,407	-	338,760	7.5
12/31/15	21,989	21,989	-	293,187	7.5

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

City of Parkers Prairie, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

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

Changes in Plan Provisions

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

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

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

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

City of Parkers Prairie, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2019

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0127 %	\$ 135,204	\$ -	\$ 135,204	\$ 133,876	101.0 %	89.3 %
06/30/18	0.0127	135,369	-	135,369	134,174	100.9	88.8
06/30/17	0.0120	162,014	-	162,014	125,080	129.5	85.4
06/30/16	0.0130	521,713	-	521,713	123,340	423.0	63.9
06/30/15	0.0130	147,710	-	147,710	122,418	120.7	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 22,146	\$ 22,146	\$ -	\$ 130,656	17.0 %
12/31/18	21,992	21,992	-	135,754	16.2
12/31/17	20,968	20,968	-	129,432	16.2
12/31/16	20,083	20,083	-	123,969	16.2
12/31/15	20,000	20,000	-	123,457	16.2

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

City of Parkers Prairie, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

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

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

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

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

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

City of Parkers Prairie, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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

Changes in Plan Provisions

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

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

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

City of Parkers Prairie, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2019

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 17,272	\$ 13,474	\$ 13,646
Interest on pension liability (asset)	26,461	25,429	25,335
Changes of benefit terms	59,794	-	-
Differences between expected and actual experience	(17,738)	(4,338)	(8,478)
Benefit payments	-	(42,300)	(15,212)
Net Change in Total Pension Liability	<u>85,789</u>	<u>(7,735)</u>	<u>15,291</u>
Total Pension Liability - January 1	<u>423,757</u>	<u>431,492</u>	<u>416,201</u>
Total Pension Liability - December 31(a)	<u>\$ 509,546</u>	<u>\$ 423,757</u>	<u>\$ 431,492</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 26,000	\$ -	\$ 28,786
Nonemployer contributions	18,350	17,315	16,306
Projected investment return	24,847	(16,327)	57,425
Projected gain (loss)	53,154	-	-
Benefit payments	-	(42,300)	(15,212)
Administrative expenses	(956)	(930)	(870)
Other	-	(26)	(23)
Net Change in Plan Fiduciary Net Position	<u>121,395</u>	<u>(42,268)</u>	<u>86,412</u>
Plan Fiduciary Net Position - January 1	<u>414,115</u>	<u>456,383</u>	<u>369,971</u>
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 535,510</u>	<u>\$ 414,115</u>	<u>\$ 456,383</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$ (25,964)</u>	<u>\$ 9,642</u>	<u>\$ (24,891)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	105.10%	97.72%	105.77%
Covered Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A

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

City of Parkers Prairie, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2019

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	\$ -	\$ 26,000	\$ (26,000)
12/31/18	16,315	16,315	-
12/31/17	16,306	16,306	-
12/31/16	12,556	12,556	-
12/31/15	14,877	14,877	-

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Parkers Prairie, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
Assets				
Cash and investments	\$ 172,310	\$ 67,681	\$ (93,226)	\$ 146,765
Receivables				
Special assessments	-	3,000	-	3,000
Notes	10,007	-	-	10,007
Total Assets	\$ 182,317	\$ 70,681	\$ (93,226)	\$ 159,772
Deferred Inflows of Resources				
Unavailable revenue - special assessments	\$ -	\$ 3,000	\$ -	\$ 3,000
Fund Balances				
Restricted	182,317	77,433	-	259,750
Unassigned	-	(9,752)	(93,226)	(102,978)
Total Fund Balances	182,317	67,681	(93,226)	156,772
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	\$ 182,317	\$ 70,681	\$ (93,226)	\$ 159,772

City of Parkers Prairie, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
Revenues				
Special assessments	\$ -	\$ 945	\$ -	\$ 945
Miscellaneous and contributions	2,969	-	10,895	13,864
Total Revenues	<u>2,969</u>	<u>945</u>	<u>10,895</u>	<u>14,809</u>
Expenditures				
Current				
Culture and recreation	2,323	-	-	2,323
Capital outlay				
Public safety	-	-	1,413	1,413
Public works	-	-	47,963	47,963
Debt service				
Principal	-	12,000	-	12,000
Interest and service charges	-	1,938	-	1,938
Total Expenditures	<u>2,323</u>	<u>13,938</u>	<u>49,376</u>	<u>65,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	646	(12,993)	(38,481)	(50,828)
Other Financing Sources				
Transfers in	-	14,718	1,331	16,049
Net Change in Fund Balances	646	1,725	(37,150)	(34,779)
Fund Balances, January 1	<u>181,671</u>	<u>65,956</u>	<u>(56,076)</u>	<u>191,551</u>
Fund Balances, December 31	<u>\$ 182,317</u>	<u>\$ 67,681</u>	<u>\$ (93,226)</u>	<u>\$ 156,772</u>

City of Parkers Prairie, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	<u>Economic Development</u>	<u>Lakes and Recreation</u>	<u>Housing Redevelopment</u>	<u>Total</u>
Assets				
Cash and investments	\$ 136,816	\$ 6,256	\$ 29,238	\$ 172,310
Receivables				
Notes	<u>10,007</u>	<u>-</u>	<u>-</u>	<u>10,007</u>
Total Assets	<u>\$ 146,823</u>	<u>\$ 6,256</u>	<u>\$ 29,238</u>	<u>\$ 182,317</u>
Fund Balances				
Restricted	<u>\$ 146,823</u>	<u>\$ 6,256</u>	<u>\$ 29,238</u>	<u>\$ 182,317</u>

City of Parkers Prairie, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	<u>Economic Development</u>	<u>Lakes and Recreation</u>	<u>Housing Redevelopment</u>	<u>Total</u>
Revenues				
Miscellaneous and contributions	\$ 469	\$ 2,500	\$ -	\$ 2,969
Expenditures				
Current				
Culture and recreation	-	2,323	-	2,323
Net Change in Fund Balances	469	177	-	646
Fund Balances, January 1	146,354	6,079	29,238	181,671
Fund Balances, December 31	<u>\$ 146,823</u>	<u>\$ 6,256</u>	<u>\$ 29,238</u>	<u>\$ 182,317</u>

City of Parkers Prairie, Minnesota
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 December 31, 2019

	<u>2010 G.O. Improvement Refunding Bond</u>	<u>2016 G.O. Improvement Bond</u>	<u>Total</u>
Assets			
Cash and investments	\$ 77,433	\$ (9,752)	\$ 67,681
Receivables			
Special Assessments	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Assets	<u>\$ 80,433</u>	<u>\$ (9,752)</u>	<u>\$ 70,681</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>
Fund Balances			
Restricted	77,433	-	77,433
Unassigned	<u>-</u>	<u>(9,752)</u>	<u>(9,752)</u>
Total Fund Balance	<u>77,433</u>	<u>(9,752)</u>	<u>67,681</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 80,433</u>	<u>\$ (9,752)</u>	<u>\$ 70,681</u>

City of Parkers Prairie, Minnesota
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	<u>2010 G.O. Improvement Refunding Bond</u>	<u>2016 G.O. Improvement Bond</u>	<u>Total</u>
Revenues			
Special assessments	\$ 945	\$ -	\$ 945
Expenditures			
Debt service			
Principal	-	12,000	12,000
Interest and service charges	-	1,938	1,938
Total Expenditures	<u>-</u>	<u>13,938</u>	<u>13,938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	945	(13,938)	(12,993)
Other Financing Sources			
Transfers in	<u>-</u>	<u>14,718</u>	<u>14,718</u>
Net Change in Fund Balances	945	780	1,725
Fund Balances, January 1	<u>76,488</u>	<u>(10,532)</u>	<u>65,956</u>
Fund Balances, December 31	<u>\$ 77,433</u>	<u>\$ (9,752)</u>	<u>\$ 67,681</u>

City of Parkers Prairie, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 For the Year Ended December 31, 2019

	Ambulance Housing Addition	Pool Capital	Safe Routes to School	Total
Assets				
Cash and investments	\$ -	\$ (28,063)	\$ (65,163)	\$ (93,226)
Fund Balances				
Unassigned	\$ -	\$ (28,063)	\$ (65,163)	\$ (93,226)

City of Parkers Prairie, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2019

	Ambulance Housing Addition	Pool Capital	Safe Routes to School	Total
Revenues				
Miscellaneous	\$ 1,413	\$ 9,482	\$ -	\$ 10,895
Expenditures				
Capital outlay				
Public safety	1,413	-	-	1,413
Public works	-	-	47,963	47,963
Total Expenditures	<u>1,413</u>	<u>-</u>	<u>47,963</u>	<u>49,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9,482	(47,963)	(38,481)
Other Financing Sources				
Transfers in	<u>1,331</u>	<u>-</u>	<u>-</u>	<u>1,331</u>
Net Change in Fund Balances	1,331	9,482	(47,963)	(37,150)
Fund Balances, January 1	<u>(1,331)</u>	<u>(37,545)</u>	<u>(17,200)</u>	<u>(56,076)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (28,063)</u>	<u>\$ (65,163)</u>	<u>\$ (93,226)</u>

City of Parkers Prairie, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
General property taxes	\$ 580,138	\$ 580,138	\$ 591,500	\$ 11,362	\$ 570,913
Lodging taxes	10,000	10,000	10,070	70	11,399
Total taxes	<u>590,138</u>	<u>590,138</u>	<u>601,570</u>	<u>11,432</u>	<u>582,312</u>
Licenses and permits	<u>2,600</u>	<u>2,600</u>	<u>6,613</u>	<u>4,013</u>	<u>2,335</u>
Intergovernmental					
State					
Local government aid	271,216	271,216	271,216	-	270,621
Agricultural market value credit	-	-	358	358	363
PERA aid	1,019	1,019	1,019	-	1,019
Police aid	16,800	16,800	16,792	(8)	19,126
Other state aid	-	-	-	-	13,129
Total intergovernmental	<u>289,035</u>	<u>289,035</u>	<u>289,385</u>	<u>350</u>	<u>304,258</u>
Charges for services					
Public safety	12,512	12,512	12,637	125	8,662
Culture and recreation	43,500	43,500	33,893	(9,607)	33,024
Other service charges	300	300	575	275	510
Total charges for services	<u>56,312</u>	<u>56,312</u>	<u>47,105</u>	<u>(9,207)</u>	<u>42,196</u>
Fines and forfeitures	<u>5,000</u>	<u>5,000</u>	<u>2,000</u>	<u>(3,000)</u>	<u>3,145</u>
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>9,590</u>	<u>8,390</u>	<u>3,046</u>
Miscellaneous					
Refunds and reimbursements	9,500	9,500	20,119	10,619	30,428
Contributions and donations	-	-	-	-	5,565
Other	150	150	2,689	2,539	3,045
Total miscellaneous	<u>9,650</u>	<u>9,650</u>	<u>22,808</u>	<u>13,158</u>	<u>39,038</u>
Total Revenues	<u>953,935</u>	<u>953,935</u>	<u>979,071</u>	<u>25,136</u>	<u>976,330</u>

City of Parkers Prairie, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund
 Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 8,485	\$ 8,485	\$ 8,168	\$ 317	\$ 8,372
Other services and charges	2,000	2,000	4,370	(2,370)	3,520
Total Mayor and Council	<u>10,485</u>	<u>10,485</u>	<u>12,538</u>	<u>(2,053)</u>	<u>11,892</u>
City clerk					
Personal services	74,380	74,380	75,919	(1,539)	72,676
Supplies	3,000	3,000	4,637	(1,637)	4,175
Other services and charges	71,800	71,800	86,390	(14,590)	100,368
Total city clerk	<u>149,180</u>	<u>149,180</u>	<u>166,946</u>	<u>(17,766)</u>	<u>177,219</u>
Elections					
Personal services	-	-	226	(226)	3,209
Other services and charges	-	-	-	-	360
Total elections	<u>-</u>	<u>-</u>	<u>226</u>	<u>(226)</u>	<u>3,569</u>
Government buildings					
Supplies	2,500	2,500	3,286	(786)	3,161
Other services and charges	31,050	31,050	33,678	(2,628)	35,178
Total government buildings	<u>33,550</u>	<u>33,550</u>	<u>36,964</u>	<u>(3,414)</u>	<u>38,339</u>
Total general government	<u>193,215</u>	<u>193,215</u>	<u>216,674</u>	<u>(23,459)</u>	<u>231,019</u>
Public safety					
Fire protection					
Personal services	25,800	25,800	23,275	2,525	12,648
Supplies	9,000	9,000	3,599	5,401	6,226
Other services and charges	25,750	25,750	31,827	(6,077)	14,157
Total fire protection	<u>60,550</u>	<u>60,550</u>	<u>58,701</u>	<u>1,849</u>	<u>33,031</u>

City of Parkers Prairie, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund
 Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Police					
Personal services	\$ 212,831	\$ 212,831	\$ 222,499	\$ (9,668)	\$ 219,845
Supplies	7,700	7,700	8,246	(546)	7,554
Other services and charges	21,100	21,100	22,053	(953)	20,583
Total police	<u>241,631</u>	<u>241,631</u>	<u>252,798</u>	<u>(11,167)</u>	<u>247,982</u>
Total public safety	<u>302,181</u>	<u>302,181</u>	<u>311,499</u>	<u>(9,318)</u>	<u>281,013</u>
Public works					
Streets and highways					
Personal services	52,379	52,379	60,000	(7,621)	42,807
Supplies	12,200	12,200	15,462	(3,262)	8,749
Other services and charges	28,510	28,510	21,921	6,589	20,190
Total streets and highways	<u>93,089</u>	<u>93,089</u>	<u>97,383</u>	<u>(4,294)</u>	<u>71,746</u>
Street lighting					
Other services and charges	<u>22,050</u>	<u>22,050</u>	<u>21,794</u>	<u>256</u>	<u>19,886</u>
Snow and ice removal					
Other services and charges	<u>18,000</u>	<u>18,000</u>	<u>23,803</u>	<u>(5,803)</u>	<u>25,846</u>
Total public works	<u>133,139</u>	<u>133,139</u>	<u>142,980</u>	<u>(9,841)</u>	<u>117,478</u>
Culture and recreation					
Personal services	102,476	102,476	93,407	9,069	77,462
Supplies	10,100	10,100	11,121	(1,021)	10,798
Other services and charges	31,800	31,800	48,005	(16,205)	36,952
Total culture and recreation	<u>144,376</u>	<u>144,376</u>	<u>152,533</u>	<u>(8,157)</u>	<u>125,212</u>
Economic development					
Other services and charges	<u>11,500</u>	<u>11,500</u>	<u>10,583</u>	<u>917</u>	<u>11,639</u>
Total current	<u>784,411</u>	<u>784,411</u>	<u>834,269</u>	<u>(49,858)</u>	<u>766,361</u>
Capital outlay					
Government buildings	1,000	1,000	786	214	3,152
Public safety	21,000	21,000	1,500	19,500	45,599
Public works	81,500	81,500	54,468	27,032	44,515
Culture and recreation	4,000	4,000	9,639	(5,639)	-
Total capital outlay	<u>107,500</u>	<u>107,500</u>	<u>66,393</u>	<u>41,107</u>	<u>93,266</u>
Total Expenditures	<u>891,911</u>	<u>891,911</u>	<u>900,662</u>	<u>(8,751)</u>	<u>859,627</u>

City of Parkers Prairie, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund
 Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Excess of Revenues Over Expenditures	\$ 62,024	\$ 62,024	\$ 78,409	\$ 16,385	\$ 116,703
Other Financing Sources (Uses)					
Sale of capital assets	-	-	12,229	12,229	1,551
Transfers out	(62,024)	(62,024)	(41,731)	20,293	(472,597)
Total Other Financing Sources (Uses)	(62,024)	(62,024)	(29,502)	32,522	(471,046)
Net Change in Fund Balances	-	-	48,907	48,907	(354,343)
Fund Balances, January 1	368,123	368,123	368,123	-	722,466
Fund Balances, December 31	<u>\$ 368,123</u>	<u>\$ 368,123</u>	<u>\$ 417,030</u>	<u>\$ 48,907</u>	<u>\$ 368,123</u>

City of Parkers Prairie, Minnesota
 Supplementary Information
 Summary Financial Report
 Revenues and Expenditures For General Operations -
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

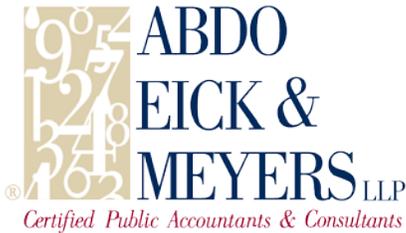
	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 601,570	\$ 582,312	3.31 %
Licenses and permits	6,613	2,335	183.21
Intergovernmental	339,385	309,211	9.76
Charges for services	76,048	95,570	(20.43)
Fines and forfeits	2,000	3,145	(36.41)
Special assessments	945	984	(3.96)
Investment earnings	11,044	4,512	144.77
Miscellaneous and contributions	159,987	138,078	15.87
	<u>\$ 1,197,592</u>	<u>\$ 1,136,147</u>	5.41 %
Total Revenues	<u>\$ 1,197,592</u>	<u>\$ 1,136,147</u>	5.41 %
Per Capita	<u>\$ 1,170</u>	<u>\$ 1,124</u>	4.07 %
Expenditures			
Current			
General government	\$ 216,674	\$ 231,019	(6.21) %
Public safety	311,499	281,013	10.85
Public works	142,980	117,478	21.71
Culture and recreation	154,856	126,627	22.29
Economic development	10,583	11,639	(9.07)
Capital outlay			
General government	786	3,152	(75.06)
Public safety	284,926	92,395	208.38
Public works	102,431	61,715	65.97
Parks and recreation	9,639	83,961	(88.52)
Debt service			
Principal	132,000	97,000	36.08
Interest and other	5,028	10,524	(52.22)
	<u>\$ 1,371,402</u>	<u>\$ 1,116,523</u>	22.83 %
Total Expenditures	<u>\$ 1,371,402</u>	<u>\$ 1,116,523</u>	22.83 %
Per Capita	<u>\$ 1,339</u>	<u>\$ 1,104</u>	21.27 %
Total Long-term Indebtedness			
	<u>\$ 165,000</u>	<u>\$ 227,000</u>	(27.31) %
Total Long-term Indebtedness	<u>\$ 165,000</u>	<u>\$ 227,000</u>	(27.31) %
Per Capita	<u>\$ 161</u>	<u>\$ 225</u>	(28.24)
General Fund Balance - December 31			
	<u>\$ 417,030</u>	<u>\$ 368,123</u>	13.29 %
General Fund Balance - December 31	<u>\$ 417,030</u>	<u>\$ 368,123</u>	13.29 %
Per Capita	<u>\$ 407</u>	<u>\$ 364</u>	11.85

The purpose of this report is to provide a summary of financial information concerning the City of Parkers Prairie to interested citizens. The complete financial statements may be examined at City Hall, PO Box 70, Parkers Prairie, Minnesota 56361. Questions about this report should be directed to Beth Wussow, City Clerk - Treasurer at (218)-338-5006.

OTHER REQUIRED REPORTS
CITY OF PARKERS PRAIRIE
PARKERS PRAIRIE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

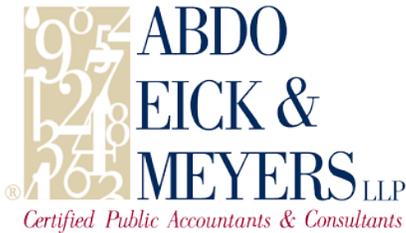
Honorable Mayor and City Council
City of Parkers Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Parkers Prairie, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2020.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 14, 2020



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Parkers Prairie, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Parkers Prairie, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

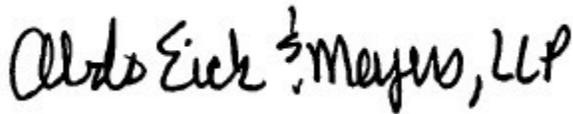
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

The City's Response to the Findings

The City's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 14, 2020

City of Parkers Prairie, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-001	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over the City's major transaction cycles. During our examination of these major cycles, we noted that the utility billing, cash disbursements, payroll, cash receipting, and inventory tracking cycles had limited segregation of duties.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. Currently the City Clerk - Treasurer has duties in more than one category, as described above, for payroll and other duties. The Deputy City Clerk has duties in more than one category, as described above, for utility billing, cash disbursements, cash receipts and other duties. The liquor store manager has control over purchasing, recording, adjusting inventory during the year.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and errors.
<i>Recommendation:</i>	While we recognize the current number of staff is not large enough to eliminate this deficiency, we recommend the City implement a review process for bank reconciliations, payroll runs, utility billing runs and journal entries. A review process will decrease the risk fraud and errors. For inventory, we recommend an independent staff or City Council member participate in the cycle counts of inventory throughout the year being aware of differences.
<i>Management Response:</i>	
	The City will continue to explore the possible further segregation of duties within the City office until it becomes costs prohibitive.

City of Parkers Prairie, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-002	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.