

City of Mendota Heights



**Annual Report and Basic
Financial Statements
December 31, 2019**

**City of Mendota Heights
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**City of Mendota Heights
Elected Officials and Administration
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Neil Garlock	Mayor	December 31, 2020
Joel Paper	Council Member	December 31, 2020
Jay Miller	Council Member	December 31, 2020
Ultan Duggan	Council Member	December 31, 2022
Liz Petschel	Council Member	December 31, 2022
<u>Administration</u>		
Mark McNeill	City Administrator	Appointed
Lorri Smith	City Clerk	Appointed
Kristen Schabacker	Finance Director	Appointed

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mendota Heights' basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BergankDV Ltd.

Minneapolis, Minnesota
May 22, 2020

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City of Mendota Heights Management's Discussion and Analysis

As management of the City of Mendota Heights, Minnesota (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019.

FINANCIAL AND DEVELOPMENT HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent year by \$44,903,018 (net position). Of this amount, \$7,619,278 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$2,033,232. Governmental activities resulted in an increase of net position of \$1,710,719. Business activities had net position increase of \$322,513.

As of the close of the current year, the City's governmental funds reported a combined ending fund balance of \$19,816,928, an increase of \$5,608,843 from the prior year.

At the end of the year the General Fund had an unassigned fund balance of \$9,002,011, or 100.8% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements on page 16 and 17 are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include sewer and storm water.

City of Mendota Heights Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual major governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the following major funds:

- General Fund
- Special Assessments Debt Service Fund
- Street Capital Projects Fund
- Fire Hall Remodel Fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18 through 25 of this report.

Proprietary Funds

The City maintains two enterprise funds and two internal service funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and storm water operations.

**City of Mendota Heights
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the following funds:

Enterprise Funds

- Sewer Utility Fund
- Storm Water Utility Fund

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for compensated absences and city hall functions. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on 29 through 61 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 74 through 82 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,903,018 at the close of the most recent year.

**City of Mendota Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the City's net position (\$31,225,359 or 69.54%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 24,465,601	\$ 18,093,147	\$ 1,596,455	\$ 1,274,936	\$ 26,062,056	\$ 19,368,083
Capital assets	36,354,121	28,692,825	14,478,671	16,930,972	50,832,792	45,623,797
Deferred outflows of resources related to pensions and OPEB	2,009,901	2,655,401	11,717	21,117	2,021,618	2,676,518
Total assets and deferred outflows of resources	<u>\$ 62,829,623</u>	<u>\$ 49,441,373</u>	<u>\$ 16,086,843</u>	<u>\$ 18,227,025</u>	<u>\$ 78,916,466</u>	<u>\$ 67,668,398</u>
Liabilities						
Long-term liabilities outstanding	\$ 25,563,089	\$ 18,063,968	\$ 128,014	\$ 139,250	\$ 25,691,103	\$ 18,203,218
Other liabilities	5,051,561	2,717,388	403,116	61,712	5,454,677	2,779,100
Deferred inflows of resources related to pensions	2,843,768	3,778,292	23,900	38,002	2,867,668	3,816,294
Total liabilities and deferred inflows of resources	<u>\$ 33,458,418</u>	<u>\$ 24,559,648</u>	<u>\$ 555,030</u>	<u>\$ 238,964</u>	<u>\$ 34,013,448</u>	<u>\$ 24,798,612</u>
Net Position						
Net investment in capital assets	\$ 16,838,188	\$ 14,756,507	\$ 14,478,671	\$ 16,930,972	\$ 31,225,359	\$ 31,687,479
Restricted	6,058,381	5,949,206	-	-	6,058,381	5,949,206
Unrestricted	6,474,636	4,176,012	1,053,142	1,057,089	7,619,278	5,233,101
Total net position	<u>\$ 29,371,205</u>	<u>\$ 24,881,725</u>	<u>\$ 15,531,813</u>	<u>\$ 17,988,061</u>	<u>\$ 44,903,018</u>	<u>\$ 42,869,786</u>

A portion of the of the City's net position (\$6,058,381) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,619,278) may be used to meet the City's ongoing obligations to citizens and creditors.

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

**City of Mendota Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City's net position by \$1,710,719. Key elements of this increase are as follows:

City's Changes in Net Position

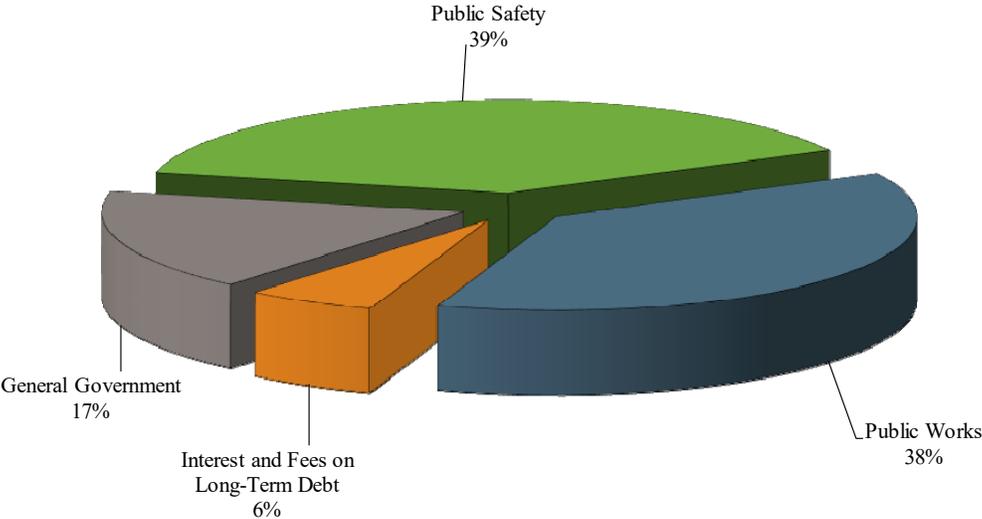
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 2,147,351	\$ 2,063,762	\$ 2,570,609	\$ 2,670,040	\$ 4,717,960	\$ 4,733,802
Operating grants and contributions	714,691	443,789	-	-	714,691	443,789
Capital grants and contributions	610,169	590,142	115,955	-	726,124	590,142
General revenues						
Taxes	9,430,008	8,586,886	-	-	9,430,008	8,586,886
Unrestricted investment earnings	476,412	152,119	26,166	15,403	502,578	167,522
Gain on sale of asset	-	-	-	8,778	-	8,778
Total revenues	<u>13,378,631</u>	<u>11,836,698</u>	<u>2,712,730</u>	<u>2,694,221</u>	<u>16,091,361</u>	<u>14,530,919</u>
Expenses						
General government	2,050,317	2,027,404	-	-	2,050,317	2,027,404
Public safety	4,587,085	3,940,953	-	-	4,587,085	3,940,953
Public works	4,457,956	4,092,510	-	-	4,457,956	4,092,510
Interest on long-term debt	685,202	373,913	-	-	685,202	373,913
Sewer	-	-	2,001,963	1,954,960	2,001,963	1,954,960
Storm water	-	-	275,606	285,058	275,606	285,058
Par 3 golf course	-	-	-	137,324	-	137,324
Total expenses	<u>11,780,560</u>	<u>10,434,780</u>	<u>2,277,569</u>	<u>2,377,342</u>	<u>14,058,129</u>	<u>12,812,122</u>
Increase (decrease) in net position before transfers	1,598,071	1,401,918	435,161	316,879	2,033,232	1,718,797
Transfers	112,648	(240,338)	(112,648)	240,338	-	-
Increase (decrease) in net position	1,710,719	1,161,580	322,513	557,217	2,033,232	1,718,797
Net position - beginning	24,881,725	24,308,523	17,988,061	17,428,020	42,869,786	41,736,543
Change in accounting principle	2,778,761	(588,378)	(2,778,761)	2,824	-	(585,554)
Net position - beginning restated	<u>27,660,486</u>	<u>23,720,145</u>	<u>15,209,300</u>	<u>17,430,844</u>	<u>42,869,786</u>	<u>41,150,989</u>
Net position - ending	<u>\$ 29,371,205</u>	<u>\$ 24,881,725</u>	<u>\$ 15,531,813</u>	<u>\$ 17,988,061</u>	<u>\$ 44,903,018</u>	<u>\$ 42,869,786</u>

**City of Mendota Heights
Management's Discussion and Analysis**

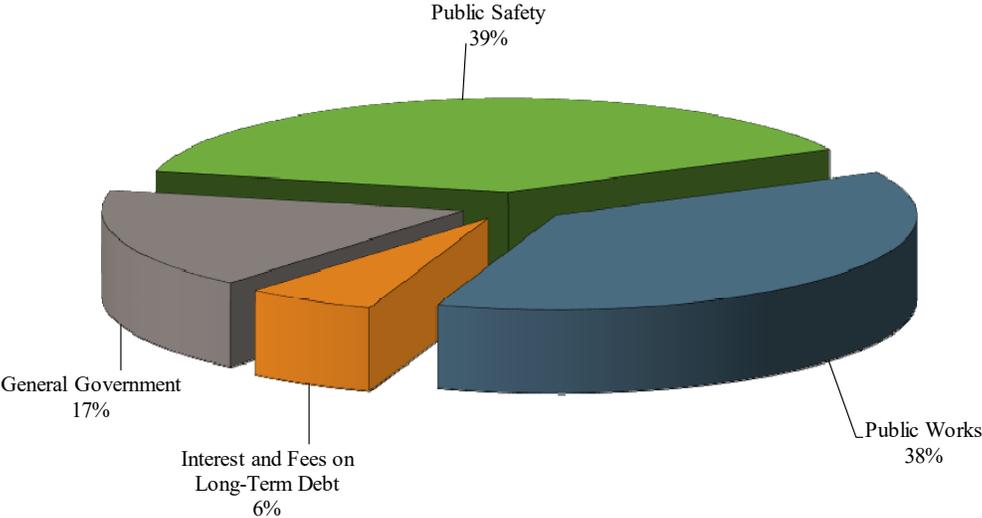
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Below are specific graphs which provide comparisons of the governmental activities revenues and expenditures:

Governmental Activities - Expenses



Governmental Activities - Expenses



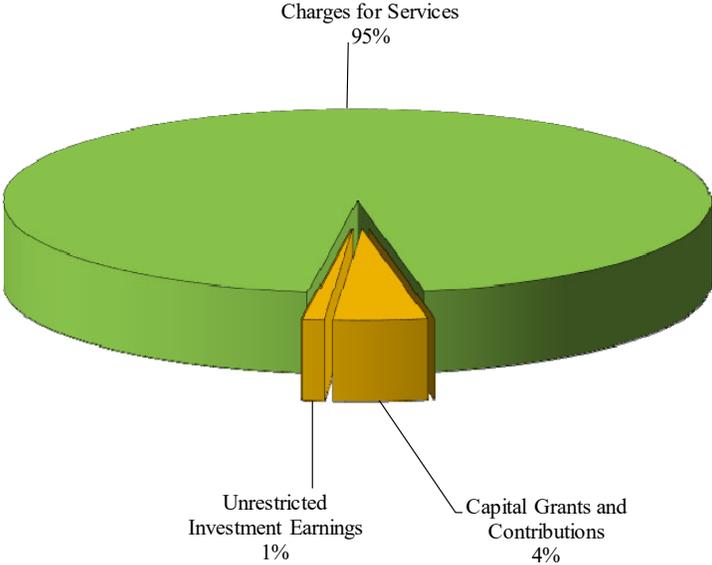
**City of Mendota Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

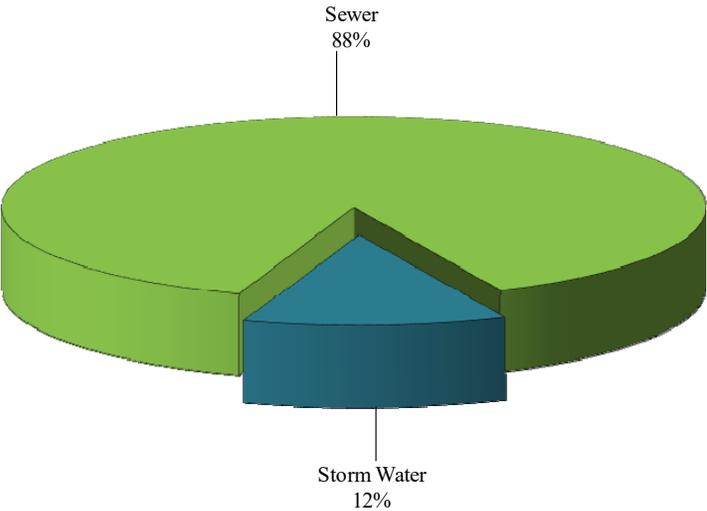
Business-Type Activities

Business-type activities increased net position by \$322,513. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



City of Mendota Heights Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$19,816,928. Nonspendable fund balances are already allocated for prepaid items (\$277,029) and inventory (\$22,487). Approximately 43.72% (\$8,663,950) constitutes restricted fund balance. Restricted fund balance would include Debt Service, Fire Hall Remodel, Special Park, and Street Light District Funds, all of which have specific uses for the funds they receive. The City also has a committed fund balance of \$727,377. This represents fund balance that is to be used for the water system, Par 3 Golf Course and civil defense needs. The City has assigned fund balance of \$1,660,361 (8.38%). This number represents the fund balances for the various reserve accounts and an amount allocated for insurance reserves. The remaining category of fund balance is the unassigned fund balance. The City has \$8,465,724 of unassigned fund balance which is approximately 42.72% of the combined governmental fund balance at December 31, 2019.

The General Fund increased by \$516,285 in 2019. Revenues were greater than anticipated and expenditures were lower than budgeted amounts.

The Special Assessments Debt Service Fund increased by \$1,366,990 in 2019. This fund accounted for debt service payments for prior street improvement projects that were financed through the issuance of bonds. This fund held bond proceeds that will be used to pay off the GO Improvement Bonds of 2011A on 2/1/2020.

The Street Capital Project Fund increased by \$26,663. This fund accounted for the costs and resources associated with the Wesley Neighborhood street project.

The Fire Hall Remodel Fund increased by \$3,420,120 in 2019. This project was started in 2019 and has an anticipated completion date of late summer 2020.

The nonmajor governmental funds increased by \$278,785. These funds received revenues from water surcharges, Par 3 Golf Course, and park dedication fees. Nonmajor funds account for the Special Park, Civil Defense, Par 3 Golf Course, and Street Light District activity. The Par 3 Golf Course is now accounted for as a Special Revenue Fund beginning in 2019. The City also has nonmajor funds for future purchases of equipment, facility needs and minor infrastructure projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position in the respective Proprietary Funds are sewer \$767,585 and storm water \$285,557. The Sewer Utility Fund had an increase in net position in 2019 of \$64,306 and the Storm Water Utility Fund had an increase in net position in 2019 of \$258,207.

**City of Mendota Heights
Management's Discussion and Analysis**

BUDGETARY HIGHLIGHTS

General Fund

The General Fund budget was not amended during 2019.

During the year, revenues exceeded budgeted estimates by \$526,780, while expenditures were less than anticipated by \$336,698.

The General Fund experienced greater than budgeted revenues in most categories. The City continued to receive higher than anticipated revenues for licenses and fees, due in large part to an increased level of building construction activity. The City received greater than budgeted amounts of public safety grants which increased the amount of intergovernmental revenue. Other revenue exceeded budgeted amounts due to the increased interest revenue received from the favorable market in 2019.

The General Fund expenditures were lower than budgeted. The General Government function was slightly over budget, due primarily to technology purchases made from the cable fund. The Public Safety function experienced expenditures which were less than the budgeted amounts, due to smaller than expected staffing costs. Finally, the Public Works function also experienced slightly lower than budgeted expenditures.

Overall, the General Fund balance increased by \$516,285, an increase of approximately 5.84%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$50,832,792 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 8,682,370	\$ 6,150,895	\$ -	\$ 2,531,475	\$ 8,682,370	\$ 8,682,370
Construction in progress	7,024,824	2,420,917	217,421	-	7,242,245	2,420,917
Buildings and structures	996,159	820,703	-	127,599	996,159	948,302
Machinery and equipment	2,359,141	1,951,388	88,397	179,021	2,447,538	2,130,409
Other improvements	658,593	640,052	-	-	658,593	640,052
Sewer main lines and Storm sewers	-	-	14,172,853	14,092,877	14,172,853	14,092,877
Infrastructure	16,633,034	16,708,870	-	-	16,633,034	16,708,870
Total capital assets	\$ 36,354,121	\$ 28,692,825	\$ 14,478,671	\$ 16,930,972	\$ 50,832,792	\$ 45,623,797

Additional information on the City's capital assets can be found in Note 5.

**City of Mendota Heights
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current year, the City had total long-term debt outstanding of \$23,125,000, an increase of \$8,155,000 from 2018. \$23,125,000 for general obligation (G.O.) improvement debt which is supported in part by special assessments.

Outstanding Debt

G.O. Improvement Bonds, G.O. Bonds and Revenue Bonds:

	Governmental Activities	
	2019	2018
G.O. Improvement Bonds	\$ 15,165,000	\$ 13,725,000
G.O. Bonds	7,960,000	1,245,000
Revenue Bonds	-	-
	\$ 23,125,000	\$ 14,970,000

The City maintains a AAA rating from Standard & Poor's.

Minnesota Statutes limit the amount of G.O. debt a Minnesota city may issue to 2% of total estimated market value. The current debt limitation for the City is \$45,728,886. Of the City's outstanding debt, \$7,960,000 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budgets and Rates

In 2019, the taxable market value for the City was \$2,286,444,287. This represents an increase of 8.76% from 2018. The City is expecting an increase in taxable market value for 2021.

These factors were considered in preparing the City's budget for 2020.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1101 Victoria Curve, Mendota Heights, Minnesota 55118.

BASIC FINANCIAL STATEMENTS

**City of Mendota Heights
Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 21,314,353	\$ 794,670	\$ 22,109,023
Property tax receivable	45,450	-	45,450
Accounts receivable	38,241	642,719	680,960
Interest receivable	41,911	977	42,888
Due from other governments	377,918	-	377,918
Special assessments receivable			
Delinquent	4,728	3,833	8,561
Unearned	2,238,965	24,674	2,263,639
Inventories	22,487	-	22,487
Prepaid items	285,448	129,582	415,030
Land held for resale	96,100	-	96,100
Capital assets (net of accumulated depreciation)			
Land and improvements	8,682,370	-	8,682,370
Construction in progress	7,024,824	217,421	7,242,245
Capital assets being depreciated			
Infrastructure	16,633,034	14,172,853	30,805,887
Buildings and structures	996,159	-	996,159
Other improvements	658,593	-	658,593
Machinery and equipment	2,359,141	88,397	2,447,538
Total assets	60,819,722	16,075,126	76,894,848
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	1,883,784	11,050	1,894,834
Deferred outflows of resources related to OPEB	126,117	667	126,784
	<u>2,009,901</u>	<u>11,717</u>	<u>2,021,618</u>
Total assets and deferred outflows of resources	\$ 62,829,623	\$ 16,086,843	\$ 78,916,466
Liabilities			
Accounts and contracts payable	\$ 1,435,947	\$ 336,435	\$ 1,772,382
Deposits payable	-	37,500	37,500
Due to other governments	193,773	3,127	196,900
Salaries and benefits payable	141,631	3,898	145,529
Interest payable	300,134	-	300,134
Developers' escrow deposits	18,448	-	18,448
Bond principal payable			
Payable within one year	2,555,000	-	2,555,000
Payable after one year	21,311,799	-	21,311,799
Compensated absences payable			
Payable within one year	406,628	22,156	428,784
Payable after one year	163,819	11,531	175,350
Other post employment benefits (OPEB) payable	859,516	8,605	868,121
Net pension liability	3,227,955	107,878	3,335,833
Total liabilities	30,614,650	531,130	31,145,780
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	2,843,768	23,900	2,867,668
Net Position			
Net investment in capital assets	16,838,188	14,478,671	31,225,359
Restricted for			
Capital projects	192,446	-	192,446
Debt service	5,189,480	-	5,189,480
Street light maintenance	27,713	-	27,713
Park dedication	648,742	-	648,742
Unrestricted	6,474,636	1,053,142	7,619,278
Total net position	29,371,205	15,531,813	44,903,018
Total liabilities, deferred inflows of resources, and net position	\$ 62,829,623	\$ 16,086,843	\$ 78,916,466

See notes to financial statements.

**City of Mendota Heights
Statement of Activities
Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 2,050,317	\$ 282,480	\$ 13,937	\$ -	\$ (1,753,900)	\$ -	\$ (1,753,900)
Public safety	4,587,085	742,468	529,040	-	(3,315,577)	-	(3,315,577)
Public works	4,457,956	1,122,403	171,714	610,169	(2,553,670)	-	(2,553,670)
Interest on long-term debt	685,202	-	-	-	(685,202)	-	(685,202)
Total governmental activities	<u>11,780,560</u>	<u>2,147,351</u>	<u>714,691</u>	<u>610,169</u>	<u>(8,308,349)</u>	<u>-</u>	<u>(8,308,349)</u>
Business-type activities							
Sewer	2,001,963	2,062,440	-	-	-	60,477	60,477
Storm water	275,606	508,169	-	115,955	-	348,518	348,518
Total business-type activities	<u>2,277,569</u>	<u>2,570,609</u>	<u>-</u>	<u>115,955</u>	<u>-</u>	<u>408,995</u>	<u>408,995</u>
Total governmental and business-type activities	<u>\$ 14,058,129</u>	<u>\$ 4,717,960</u>	<u>\$ 714,691</u>	<u>\$ 726,124</u>	(8,308,349)	408,995	(7,899,354)
General revenues							
Property taxes					9,430,008	-	9,430,008
Unrestricted investment earnings					476,412	26,166	502,578
Total general revenues					<u>9,906,420</u>	<u>26,166</u>	<u>9,932,586</u>
Transfers					112,648	(112,648)	-
Change in net position					1,710,719	322,513	2,033,232
Net position - beginning					<u>24,881,725</u>	<u>17,988,061</u>	<u>42,869,786</u>
Change in accounting principle (Note 17)					2,778,761	(2,778,761)	-
Net position - beginning, restated					<u>27,660,486</u>	<u>15,209,300</u>	<u>42,869,786</u>
Net position - ending					<u>\$ 29,371,205</u>	<u>\$ 15,531,813</u>	<u>\$ 44,903,018</u>

**City of Mendota Heights
Balance Sheet - Governmental Funds
December 31, 2019**

	General Fund	Special Assessments Debt Service	Capital Projects Street Capital Projects
Assets			
Cash and investments (including cash equivalents)	\$ 9,022,360	\$ 4,159,319	\$ 63,545
Taxes receivable - delinquent	36,493	4,990	-
Special assessments receivable			
Delinquent	378	4,350	-
Deferred	3,054	1,941,027	284,555
Accounts receivable	27,153	-	-
Interest receivable	11,267	5,303	1,079
Due from other funds	-	-	-
Due from other governments	366,356	-	7,136
Inventories	22,487	-	-
Prepaid items	271,577	-	-
Land held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 9,761,125</u>	<u>\$ 6,114,989</u>	<u>\$ 356,315</u>
Liabilities			
Accounts and contracts payable	\$ 187,746	\$ -	\$ 276,992
Due to other funds	-	-	-
Due to other governments	22,974	-	-
Salaries and benefits payable	139,147	-	-
Developers' escrow deposits	18,448	-	-
Compensated absences	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>368,315</u>	<u>-</u>	<u>276,992</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	36,493	4,990	-
Unavailable revenue - special assessments	3,432	1,945,377	284,555
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>39,925</u>	<u>1,950,367</u>	<u>284,555</u>
Fund Balances			
Nonspendable	294,064	-	-
Restricted	-	4,164,622	-
Committed	-	-	-
Assigned	56,810	-	-
Unassigned	9,002,011	-	(205,232)
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>9,352,885</u>	<u>4,164,622</u>	<u>(205,232)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,761,125</u>	<u>\$ 6,114,989</u>	<u>\$ 356,315</u>

<u>Capital Projects</u>		
<u>Fire Hall Remodel</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,001,240	\$ 3,497,790	\$ 20,744,254
1,427	2,540	45,450
-	-	4,728
-	10,329	2,238,965
-	11,088	38,241
18,982	5,106	41,737
-	173,626	173,626
-	4,426	377,918
-	-	22,487
-	5,452	277,029
-	96,100	96,100
<u>\$ 4,021,649</u>	<u>\$ 3,806,457</u>	<u>\$ 24,060,535</u>
\$ 839,837	\$ 124,534	\$ 1,429,109
-	173,626	173,626
-	170,704	193,678
-	456	139,603
-	-	18,448
-	-	-
<u>839,837</u>	<u>469,320</u>	<u>1,954,464</u>
1,427	2,540	45,450
-	10,329	2,243,693
<u>1,427</u>	<u>12,869</u>	<u>2,289,143</u>
-	5,452	299,516
3,180,385	1,318,943	8,663,950
-	727,377	727,377
-	1,603,551	1,660,361
-	(331,055)	8,465,724
<u>3,180,385</u>	<u>3,324,268</u>	<u>19,816,928</u>
<u>\$ 4,021,649</u>	<u>\$ 3,806,457</u>	<u>\$ 24,060,535</u>

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**City of Mendota Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2019**

Total fund balances - governmental funds \$ 19,816,928

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	62,403,456
Less accumulated depreciation	(26,708,963)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

General obligation (G.O.) bond principal payable	(23,125,000)
Unamortized bond premium	(741,799)
OPEB payable	(853,448)
Net pension liability	(3,177,604)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(2,832,613)
Deferred outflows of resources related to pensions	1,878,627
Deferred outflows of resources related to OPEB	125,647

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	45,450
Special assessments	4,728

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

Deferred special assessments	2,238,965
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Governmental funds do not report a liability for accrued interest until due and payable.	(300,134)
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Internal service funds are used by management to charge the cost of engineering, compensated absences and City Hall expenses to individual funds. The net position of the funds are considered governmental and included in the government-wide Statement of Net Position.

596,965

Total net position - governmental activities	<u><u>\$ 29,371,205</u></u>
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City of Mendota Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

	General Fund	Special Assessments Debt Service	Capital Projects Street Capital Projects	Capital Projects Fire Hall Remodel
Revenues				
Property taxes	\$ 7,509,301	\$ 1,033,652	\$ -	\$ 347,585
Special assessments	-	391,055	295,135	-
Licenses and permits	480,249	-	-	-
Intergovernmental	529,235	-	-	-
Charges for services	716,877	-	-	-
Fines and forfeitures	123,848	3,607	-	-
Miscellaneous				
Investment income	186,336	87,692	17,827	97,222
Other	199,430	-	-	-
Total revenues	<u>9,745,276</u>	<u>1,516,006</u>	<u>312,962</u>	<u>444,807</u>
Expenditures				
Current				
General government	1,676,334	-	-	-
Public safety	4,607,105	-	-	6,960
Public works	2,645,909	-	-	-
Debt service				
Principal	-	1,630,000	-	-
Interest and other charges	-	433,477	-	7,093
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	4,304,966
Public works	-	-	1,762,443	-
Total expenditures	<u>8,929,348</u>	<u>2,063,477</u>	<u>1,762,443</u>	<u>4,319,019</u>
Excess of revenues over (under) expenditures	815,928	(547,471)	(1,449,481)	(3,874,212)
Other Financing Sources (Uses)				
Issuance of debt	-	3,035,000	-	-
Bond premium	-	163,894	-	-
Transfers in	47,550	-	1,498,233	7,294,332
Transfers out	<u>(347,193)</u>	<u>(1,284,433)</u>	<u>(22,089)</u>	<u>-</u>
Total other financing sources (uses)	<u>(299,643)</u>	<u>1,914,461</u>	<u>1,476,144</u>	<u>7,294,332</u>
Net change in fund balances	516,285	1,366,990	26,663	3,420,120
Fund Balances				
Beginning of year	8,836,600	2,797,632	(231,895)	(239,735)
Change in accounting principle (Note 17)	-	-	-	-
Beginning of the year, as restated	<u>8,836,600</u>	<u>2,797,632</u>	<u>(231,895)</u>	<u>(239,735)</u>
End of year	<u>\$ 9,352,885</u>	<u>\$ 4,164,622</u>	<u>\$ (205,232)</u>	<u>\$ 3,180,385</u>

Other Governmental Funds	Total Governmental Funds
\$ 545,099	\$ 9,435,637
-	686,190
-	480,249
190,424	719,659
263,106	979,983
5	127,460
84,447	473,524
374,657	574,087
<u>1,457,738</u>	<u>13,476,789</u>
74,776	1,751,110
190,424	4,804,489
265,706	2,911,615
250,000	1,880,000
134,310	574,880
-	-
-	4,304,966
702,457	2,464,900
<u>1,617,673</u>	<u>18,691,960</u>
(159,935)	(5,215,171)
7,000,000	10,035,000
401,409	565,303
347,193	9,187,308
<u>(7,309,882)</u>	<u>(8,963,597)</u>
438,720	10,824,014
278,785	5,608,843
2,992,756	14,155,358
<u>52,727</u>	<u>52,727</u>
3,045,483	14,208,085
<u>\$ 3,324,268</u>	<u>\$ 19,816,928</u>

**City of Mendota Heights
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2019**

Net change in fund balances - governmental funds	\$ 5,608,843
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives as depreciation expense	
Capital outlays	6,757,671
Depreciation expense	(1,808,020)
Book value of disposed assets	(3,000)
Assets contributed to enterprise funds	(111,063)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective	
	97,394
OPEB are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities	
	106,159
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	
	1,880,000
Premiums on the issuance of long-term debt provide current financial resources to governmental funds and have no effect on net position. These amounts are reported in the governmental funds as an other financing source and constitute long-term liabilities in the Statement of Net Position	
	(565,303)
Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities.	
	45,322
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 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.	
	(155,644)
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no effect on net position in the Statement of Activities	
Bonds payable	(10,035,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	(101,046)
Activities of the internal service funds are presented separately from the governmental funds. However, the functions, from a government-wide perspective, are governmental	
	<u>(5,594)</u>
Change in net position - governmental activities	<u><u>\$ 1,710,719</u></u>

**City of Mendota Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
Revenues				
Property taxes	\$ 7,449,004		\$ 7,509,301	\$ 60,297
Licenses and permits	374,700		480,249	105,549
Intergovernmental	434,070		529,235	95,165
Charges for services	716,222		716,877	655
Fines and forfeitures	72,500		123,848	51,348
Miscellaneous revenues				
Investment income	35,000		186,336	151,336
Other	137,000		199,430	62,430
Total revenues	9,218,496		9,745,276	526,780
Expenditures				
Current				
General government	1,667,058		1,676,334	9,276
Public safety	4,922,037		4,607,105	(314,932)
Public works	2,676,951		2,645,909	(31,042)
Total expenditures	9,266,046		8,929,348	(336,698)
Excess of revenues over (under) expenditures	(47,550)		815,928	863,478
Other Financing Sources (Uses)				
Transfers in	47,550		47,550	-
Transfers out	-		(347,193)	(347,193)
Total other financing sources (uses)	47,550		(299,643)	(347,193)
Net change in fund balance	\$ -		516,285	\$ 516,285
Fund Balance				
Beginning of year			8,836,600	
End of year			\$ 9,352,885	

City of Mendota Heights
Statement of Net Position - Proprietary Funds
December 31, 2019

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Assets				
Current assets				
Cash and investments	\$ 359,653	\$ 435,017	\$ 794,670	\$ 570,099
Special assessment receivable				
Delinquent	3,833	-	3,833	-
Deferred	24,674	-	24,674	-
Accounts receivable	515,153	127,566	642,719	-
Interest receivable	301	676	977	174
Prepaid expenses	129,582	-	129,582	8,419
Total current assets	<u>1,033,196</u>	<u>563,259</u>	<u>1,596,455</u>	<u>578,692</u>
Noncurrent assets				
Capital assets not being depreciated				
Land	-	-	-	25,000
Construction in progress	-	217,421	217,421	-
Capital assets being depreciated				
Buildings	-	-	-	2,264,567
Sewer main lines and storm sewers	15,247,721	4,696,406	19,944,127	-
Improvements other than buildings	-	-	-	40,781
Machinery and equipment	214,811	-	214,811	66,969
Total capital assets	<u>15,462,532</u>	<u>4,913,827</u>	<u>20,376,359</u>	<u>2,397,317</u>
Less accumulated depreciation	<u>(5,352,762)</u>	<u>(544,926)</u>	<u>(5,897,688)</u>	<u>(1,737,689)</u>
Net capital assets	<u>10,109,770</u>	<u>4,368,901</u>	<u>14,478,671</u>	<u>659,628</u>
Total assets	<u>11,142,966</u>	<u>4,932,160</u>	<u>16,075,126</u>	<u>1,238,320</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	9,331	1,719	11,050	5,157
Deferred outflows of resources related to OPEB	568	99	667	470
Total deferred outflows of resources	<u>9,899</u>	<u>1,818</u>	<u>11,717</u>	<u>5,627</u>
Total assets and deferred outflows of resources	<u>\$ 11,152,865</u>	<u>\$ 4,933,978</u>	<u>\$ 16,086,843</u>	<u>\$ 1,243,947</u>
Liabilities and Net Position				
Current liabilities				
Accounts and contracts payable	\$ 116,881	\$ 219,554	\$ 336,435	\$ 6,838
Developers' escrow deposits	-	37,500	37,500	-
Salaries and benefits payable	3,214	684	3,898	2,028
Due to other governments	3,127	-	3,127	95
Noncurrent liabilities due within one year	22,156	-	22,156	406,628
Total current liabilities	<u>145,378</u>	<u>257,738</u>	<u>403,116</u>	<u>415,589</u>
Noncurrent liabilities				
Compensated absences	33,687	-	33,687	570,447
OPEB payable	7,323	1,282	8,605	6,068
Net pension liability	91,096	16,782	107,878	50,351
Less amount due within one year	<u>(22,156)</u>	<u>-</u>	<u>(22,156)</u>	<u>(406,628)</u>
Total noncurrent liabilities	<u>109,950</u>	<u>18,064</u>	<u>128,014</u>	<u>220,238</u>
Total liabilities	<u>255,328</u>	<u>275,802</u>	<u>531,130</u>	<u>635,827</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	20,182	3,718	23,900	11,155
Net Position				
Investment in capital assets	10,109,770	4,368,901	14,478,671	659,628
Unrestricted	767,585	285,557	1,053,142	(62,663)
Total net position	<u>10,877,355</u>	<u>4,654,458</u>	<u>15,531,813</u>	<u>596,965</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,152,865</u>	<u>\$ 4,933,978</u>	<u>\$ 16,086,843</u>	<u>\$ 1,243,947</u>

See notes to financial statements.

City of Mendota Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2019

	Sewer Utility	Storm Water Utility	Par 3 Golf Course	Total	Internal Service Funds
Operating revenues					
Charges for services	\$ 2,045,839	\$ 507,769	\$ -	\$ 2,553,608	\$ 216,940
Operating expenses					
Wages and salaries	136,383	22,084	-	158,467	66,934
Employee benefits	50,579	6,406	-	56,985	35,630
Materials and supplies	20,124	26	-	20,150	-
Repairs and maintenance	163,680	40,748	-	204,428	-
Professional services	15,903	129,768	-	145,671	3,923
Insurance	9,026	-	-	9,026	6,206
Utilities	29,163	-	-	29,163	34,251
Depreciation	187,114	46,964	-	234,078	35,419
Miscellaneous	26,576	29,610	-	56,186	43,059
Sewer charges - MCES	1,363,415	-	-	1,363,415	-
Total operating expenses	<u>2,001,963</u>	<u>275,606</u>	<u>-</u>	<u>2,277,569</u>	<u>225,422</u>
Operating income (loss)	43,876	232,163	-	276,039	(8,482)
Nonoperating revenues (expenses)					
Investment income	14,979	11,187	-	26,166	2,888
Fines and forfeitures	252	-	-	252	-
Special assessments	2,773	-	-	2,773	-
Intergovernmental revenue	-	115,955	-	115,955	-
Other income	13,576	400	-	13,976	-
Total nonoperating revenues	<u>31,580</u>	<u>127,542</u>	<u>-</u>	<u>159,122</u>	<u>2,888</u>
Change in net position before capital contributions and transfers	75,456	359,705	-	435,161	(5,594)
Capital contributions	-	111,063	-	111,063	-
Transfers in	-	22,089	-	22,089	-
Transfers out	(11,150)	(234,650)	-	(245,800)	-
Change in net position	64,306	258,207	-	322,513	(5,594)
Net position					
Beginning of year	10,813,049	4,396,251	2,778,761	17,988,061	602,559
Change in accounting principle (Note 17)	<u>-</u>	<u>-</u>	<u>(2,778,761)</u>	<u>(2,778,761)</u>	<u>-</u>
Beginning of year, as restated	<u>10,813,049</u>	<u>4,396,251</u>	<u>-</u>	<u>15,209,300</u>	<u>602,559</u>
End of year	<u>\$ 10,877,355</u>	<u>\$ 4,654,458</u>	<u>\$ -</u>	<u>\$ 15,531,813</u>	<u>\$ 596,965</u>
Net change in the net position reported above				\$ 322,513	
Amounts reported for business-type activities in the statement of activities are different because:					
Transfers in of capital assets from governmental activities				111,063	
Contribution revenue reported above				<u>(111,063)</u>	
Change in net position of business-type activities				<u>\$ 322,513</u>	

See notes to financial statements.

City of Mendota Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Sewer Utility	Storm Water Utility	Par 3 Golf Course	Total	Internal Service Funds
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 2,030,731	\$ 506,583	\$ -	\$ 2,537,314	\$ 216,940
Payments to suppliers	(1,546,690)	56,297	-	(1,490,393)	(87,645)
Payments to employees	(193,059)	(29,333)	-	(222,392)	(44,652)
Miscellaneous revenue	19,345	400	-	19,745	-
Net cash flows - operating activities	<u>310,327</u>	<u>533,947</u>	<u>-</u>	<u>844,274</u>	<u>84,643</u>
Cash Flows - Noncapital Financing Activities					
Transfer from other funds	-	22,089	-	22,089	-
Transfer to other funds	(11,150)	(234,650)	-	(245,800)	-
Intergovernmental revenue	-	115,955	-	115,955	-
Net cash flows - noncapital financing activities	<u>(11,150)</u>	<u>(96,606)</u>	<u>-</u>	<u>(107,756)</u>	<u>-</u>
Cash Flows - Capital and Related Financing Activities					
Acquisition of capital assets	<u>(187,688)</u>	<u>(217,422)</u>	<u>-</u>	<u>(405,110)</u>	<u>(126,730)</u>
Cash Flows - Investing Activities					
Interest and dividends received	<u>14,966</u>	<u>10,969</u>	<u>-</u>	<u>25,935</u>	<u>2,863</u>
Net change in cash and cash equivalents	126,455	230,888	-	357,343	(39,224)
Cash and Cash Equivalents					
Beginning of year	233,198	204,129	48,226	485,553	609,323
Change in accounting principle (Note 17)	-	-	(48,226)	(48,226)	-
Beginning of year, restated	<u>233,198</u>	<u>204,129</u>	<u>-</u>	<u>437,327</u>	<u>609,323</u>
End of year	<u>\$ 359,653</u>	<u>\$ 435,017</u>	<u>\$ -</u>	<u>\$ 794,670</u>	<u>\$ 570,099</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ 43,876	\$ 232,163	\$ -	\$ 276,039	\$ (8,482)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Operating activities					
Miscellaneous revenue	19,345	400	-	19,745	-
Depreciation expense	187,114	46,964	-	234,078	35,419
Accounts receivable	(15,108)	(1,186)	-	(16,294)	-
Prepaid items	(4,284)	-	-	(4,284)	(540)
Developers' excrow deposits	-	37,500	-	37,500	-
Accounts and contracts payable	89,048	218,949	-	307,997	337
Due to other governmental units	(3,567)	-	-	(3,567)	(3)
Salaries payable	(425)	122	-	(303)	321
OPEB payable	(3,685)	(238)	-	(3,923)	1,039
Pension related items	(3,241)	(727)	-	(3,968)	(2,651)
Compensated absences payable	1,254	-	-	1,254	59,203
Total adjustments	<u>266,451</u>	<u>301,784</u>	<u>-</u>	<u>568,235</u>	<u>93,125</u>
Net cash flows - operating activities	<u>\$ 310,327</u>	<u>\$ 533,947</u>	<u>\$ -</u>	<u>\$ 844,274</u>	<u>\$ 84,643</u>
Noncash Investing, Capital, and Financing Activities					
Contributions of capital assets	<u>\$ -</u>	<u>\$ 111,063</u>	<u>\$ -</u>	<u>\$ 111,063</u>	<u>\$ -</u>

See notes to financial statements.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mendota Heights is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, the City has no component units.

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

The Internal Service Funds are presented in the internal service fund financial statements. Because the principal user of internal services is the City's governmental activities, the financial statements of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 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 matures.

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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.

Description of Funds:

Major Governmental Funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Assessments Debt Service Fund – This fund receives all special assessment payments and is dedicated for the repayment of debt incurred on a specific project.

Street Capital Projects Fund – This fund is used to account for the proceeds and disbursements of funds for street improvement expenditures.

Fire Hall Remodel Fund – This fund is used to account for the proceeds and disbursements associated with the Fire Hall remodel and expansion project.

Proprietary Funds:

Sewer Utility Fund – This fund is used to account for the City's sewer utility.

Storm Water Utility Fund – This fund is used to account for the City's storm water utility.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Additional Fund Types:

Internal Service Funds – These funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's Internal Service Funds account for compensated absences and City Hall expenses.

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

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 and Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service 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.

When both restricted and unrestricted resources are available for use, the City uses restricted resources first, then unrestricted resources as they are needed. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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

1. 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. Investments for the City are reported at fair value.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Minnesota Statutes requires all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Dakota County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. Inventory consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventory – land held for resale represents land owned by the City with the intent to sell to developers. This land is recorded at the lesser of historical cost or expected net realizable value.

4. 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. Prepaid items are recorded as an expenditure at the time of consumption.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, easements, 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, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Buildings	15-100
Other improvements	10-40
Machinery and equipment	3-25
Infrastructure	30-100

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 two items that qualify for reporting in this category. 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 presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences\Severance

The City allows employees to accrue vacation based on years of service to carry over to the next year. Accrued vacation shall be used in the year following the year which said time is earned and any time accrued will be paid out at termination. At the end of the year the vacation balance cannot exceed 200 hours.

All permanent full-time employees accrue personal leave at the rate of 4 hours per month, to a maximum of 320 hours. Any balances in excess of 320 hours will be converted to cash compensation or additional vacation time at a ratio of 50%.

All compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to. The unused vacation and sick leave of the proprietary funds is included in accrued liabilities of the respective fund.

8. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize 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.

9. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Administrator or Finance Director based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City will strive to maintain a General Fund unassigned fund balance of 75% of the following year's budgeted operating expenditures.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$91,500 was made between this net position class and unrestricted net position in the total column on the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

E. Budgetary Information

The City Council adopts an annual budget for the General Fund and certain special revenue and capital project funds. The amounts shown in the financial statements as "budget" represent the original budgeted amount and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator prepares and presents to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget included proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council deliberates on and adopts the budget on a basis consistent with accounting principles generally accepted in the United States of America and legally enacts the budget by passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The City Council must approve any budget appropriation transfers between departments and any increases in budget appropriations to the extent actual revenues exceed estimated revenues.
6. Reported budget amounts are as originally adopted or as amended by City Council approved supplemental appropriations and budget transfers.

Annual appropriations lapse at year-end. No revisions were made to the budgets during the year.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following funds had deficit fund balances or net position at December 31, 2019:

Street Capital Project	\$ 205,232
Other Nonmajor Capital Projects Fund	
Special Assessment Capital Project	322,474
TIF District No. 2	8,581

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed on the financial statements as "cash and cash equivalents" or "investments." For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risks – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City addresses custodial credit risk by having the authority from the City Council to maintain deposits with various financial institutions that are members of the Federal Reserve System. The City's policy states all deposits must be collateralized in compliance with *Minnesota Statutes* 118A. As of December 31, 2019, the City's bank balance was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2019, the City had deposits as follows:

Checking	\$ 153,638
Savings	642
Certificates of deposit	<u>14,156</u>
 Total deposits	 <u><u>\$ 168,436</u></u>

**City of Mendota Heights
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2019, the City had the following investments:

Investment Type	Credit Ratings	Fair Value 12/31/19	Investment Maturities	
			Less Than 1 Year	1 - 5 Years
Negotiable CD's	NR	\$ 8,337,399	\$ 3,906,292	\$ 4,431,107
Mutual Funds	AAA-mf	11,578,650	11,578,650	-
US Gov't Securities	AAA	1,119,104	599,990	519,114
Money Market Funds	NR	904,534	904,534	-
Total		<u>\$ 21,939,687</u>	<u>\$ 16,989,466</u>	<u>\$ 4,950,221</u>

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy addresses credit quality by allowing the City to invest only in instruments permitted by *Minnesota Statutes* 118A.04-05.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's policy states the City will attempt to diversify its investments according to type and maturity. The policy states the portfolio will contain both short-term and long-term investments and will attempt to match its investments with anticipated cash flow requirements.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that to ensure safety when considering an investment it is verified to make certain funds in excess of insurance are not made at the same institution. The City's brokers carry SIPC and private insurance to cover the City's investment holdings; however, given the size of the City's portfolio in relation to the insurance, it is unlikely the City would receive the full value of their investments upon default of the counterparty.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states the City will hold investments with laddered maturities so that funds become available on a regular schedule.

The City has the following recurring fair value measurements as of December 31, 2019:

- \$21,939,687 of investments are valued using a matrix pricing model (Level 2 inputs)

**City of Mendota Heights
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3. A.)	\$ 168,436
Investments (Note 3.B.)	21,939,687
Petty cash	<u>900</u>
Total cash and investments	<u><u>\$ 22,109,023</u></u>

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 22,109,023</u></u>

NOTE 4 – INTERFUND ACTIVITIES

A. Interfund Receivables and Payable

The following is a summary of the City's due to/due from other funds at December 31, 2019:

Fund	Due to	Due from	Reason
Special assessment capital project	\$ 165,045	\$ -	Cash deficit
TIF District No. 2	8,581	-	Cash deficit
Water tower capital project	-	165,045	Cash deficit
Pre-1998 non-increment	<u>-</u>	<u>8,581</u>	Cash deficit
Total	<u><u>\$ 173,626</u></u>	<u><u>\$ 173,626</u></u>	

The balances above will be repaid as financing becomes available.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 4 – INTERFUND ACTIVITIES (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2019, was as follows:

	Transfers In					Total
	General	Street Capital Projects	Fire Hall Remodel	Other Governmental Funds	Storm Water Utility	
Transfers out						
General	\$ -	\$ -	\$ -	\$ 347,193	\$ -	\$ 347,193
Special assessments debt service	22,250	1,262,183	-	-	-	1,284,433
Street capital projects	-	-		-	22,089	22,089
Other governmental funds	4,500	11,050	7,294,332	-	-	7,309,882
Sewer utility	11,150	-	-	-	-	11,150
Storm Water Utility	9,650	225,000	-	-	-	234,650
Total	<u>\$ 47,550</u>	<u>\$ 1,498,233</u>	<u>\$ 7,294,332</u>	<u>\$ 347,193</u>	<u>\$ 22,089</u>	<u>\$ 9,209,397</u>

The purpose of the above transfers is to distribute bond proceeds and to provide funding for capital improvement projects, capital outlay, and operating purposes.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Change in Accounting Principle</u>	<u>Beginning Balance, Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities						
Capital assets not being depreciated						
Land and improvements	\$ 6,150,895	\$ 2,531,475	\$ 8,682,370	\$ -	\$ -	\$ 8,682,370
Construction in progress	2,420,916	-	2,420,916	6,081,884	1,477,976	7,024,824
Total capital assets not being depreciated	<u>8,571,811</u>	<u>2,531,475</u>	<u>11,103,286</u>	<u>6,081,884</u>	<u>1,477,976</u>	<u>15,707,194</u>
Capital assets being depreciated						
Buildings and structures	4,428,522	208,490	4,637,012	126,729	-	4,763,741
Machinery and equipment	5,616,905	107,319	5,724,224	653,332	298,800	6,078,756
Other improvements	2,372,183	-	2,372,183	91,228	9,028	2,454,383
Infrastructure	<u>34,498,557</u>	<u>-</u>	<u>34,498,557</u>	<u>1,298,142</u>	<u>-</u>	<u>35,796,699</u>
Total capital assets being depreciated	<u>46,916,167</u>	<u>315,809</u>	<u>47,231,976</u>	<u>2,169,431</u>	<u>307,828</u>	<u>49,093,579</u>
Less accumulated depreciation for						
Buildings and structures	3,607,819	80,891	3,688,710	78,872	-	3,767,582
Machinery and equipment	3,665,516	31,996	3,697,512	317,903	295,800	3,719,615
Other improvements	1,732,132	-	1,732,132	72,686	9,028	1,795,790
Infrastructure	<u>17,789,687</u>	<u>-</u>	<u>17,789,687</u>	<u>1,373,978</u>	<u>-</u>	<u>19,163,665</u>
Total accumulated depreciation	<u>26,795,154</u>	<u>112,887</u>	<u>26,908,041</u>	<u>1,843,439</u>	<u>304,828</u>	<u>28,446,652</u>
Total capital assets being depreciated, net	<u>20,121,013</u>	<u>202,922</u>	<u>20,323,935</u>	<u>325,992</u>	<u>3,000</u>	<u>20,646,927</u>
Governmental activities capital assets, net	<u>\$ 28,692,824</u>	<u>\$ 2,734,397</u>	<u>\$ 31,427,221</u>	<u>\$ 6,407,876</u>	<u>\$ 1,480,976</u>	<u>\$ 36,354,121</u>

**City of Mendota Heights
Notes to Financial Statements**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Business-type activities						
Capital assets not being depreciated						
Land	\$ 2,531,475	\$ (2,531,475)	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	217,421	-	217,421
Total capital assets not being depreciated	<u>2,531,475</u>	<u>(2,531,475)</u>	<u>-</u>	<u>217,421</u>	<u>-</u>	<u>217,421</u>
Capital assets being depreciated						
Buildings and structures	208,490	(208,490)	-	-	-	-
Machinery and equipment	322,130	(107,319)	214,811	-	-	214,811
Sewer main lines and storm sewers	19,645,376	-	19,645,376	298,751	-	19,944,127
Total capital assets being depreciated	<u>20,175,996</u>	<u>(315,809)</u>	<u>19,860,187</u>	<u>298,751</u>	<u>-</u>	<u>20,158,938</u>
Less accumulated depreciation for						
Buildings and structures	80,891	(80,891)	-	-	-	-
Machinery and equipment	143,109	(31,996)	111,113	15,301	-	126,414
Sewer main lines and storm sewers	5,552,497	-	5,552,497	218,777	-	5,771,274
Total accumulated depreciation	<u>5,776,497</u>	<u>(112,887)</u>	<u>5,663,610</u>	<u>234,078</u>	<u>-</u>	<u>5,897,688</u>
Total capital assets being depreciated, net	<u>14,399,499</u>	<u>(202,922)</u>	<u>14,196,577</u>	<u>64,673</u>	<u>-</u>	<u>14,261,250</u>
Business-type activities capital assets, net	<u>\$ 16,930,974</u>	<u>\$ (2,734,397)</u>	<u>\$ 14,196,577</u>	<u>\$ 282,094</u>	<u>\$ -</u>	<u>\$ 14,478,671</u>

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

Governmental activities	
General government	\$ 151,603
Public safety	93,612
Public works	1,562,805
Internal service funds	<u>35,419</u>
Total depreciation expense - governmental activities	<u>\$ 1,843,439</u>
Business-type activities	
Sewer utility	\$ 187,114
Storm water utility	<u>46,964</u>
Total depreciation expense - business-type activities	<u>\$ 234,078</u>

**City of Mendota Heights
Notes to Financial Statements**

NOTE 6 – LONG-TERM DEBT

A. G.O. Bonds

The City issues G.O. bonds to provide for financing street improvements, major capital equipment purchases and utility improvements. Debt service is funded through property taxes, special assessments, and utility charges.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

B. Components of Long-Term Liabilities

	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities					
Government activities					
G.O. Improvement Bonds, including					
Refunding Bonds					
G.O. Improvement Bonds of 2011	0.40%-3.40%	2,970,000	02/01/31	\$ 1,525,000	\$ 1,525,000
G.O. Improvement Bonds of 2012	2.00%-2.70%	2,630,000	02/01/32	2,165,000	90,000
G.O. Improvement Bonds of 2013	2.00%-4.00%	1,685,000	02/01/34	1,210,000	130,000
G.O. Improvement Bonds, Series 2014A	0.85%-3.40%	1,030,000	02/01/35	785,000	75,000
G.O. Refunding Bond, Series 2014B	1.50%-3.00%	885,000	02/01/27	550,000	65,000
G.O. Improvement Bonds 2015A	.90%-3.00%	1,200,000	02/01/25	1,040,000	75,000
G.O. Refunding Bond, Series 2015C	2.00%-2.50%	1,995,000	02/01/28	1,490,000	170,000
G.O. Reconstruction Bonds, Series 2016A	1.00%-2.50%	1,020,000	02/01/37	945,000	75,000
G.O. Improvement Bonds of 2017A	2.00%-2.50%	1,340,000	02/01/30	1,340,000	55,000
G.O. Improvement Bonds of 2018A	3.00%-4.00%	1,080,000	02/01/30	1,080,000	-
G.O. Improvement Bonds of 2019A	2.00%-3.00%	3,035,000	02/01/31	3,035,000	-
Total improvement bonds				<u>15,165,000</u>	<u>2,260,000</u>
G.O. Bonds, including refunding bonds					
G.O. Bonds of 2009	1.50%-3.50%	745,000	02/01/20	85,000	85,000
G.O. Refunding Bonds 2015B	2.00%-3.00%	1,475,000	02/01/23	875,000	210,000
G.O. Capital Improvement Plan Bonds	3.00%-4.00%	7,000,000	02/01/35	7,000,000	-
Total G.O. Bonds				<u>7,960,000</u>	<u>295,000</u>
Net Premium on Bonds				741,799	-
Compensated absences payable				570,447	406,628
Total governmental activities				<u>24,437,246</u>	<u>2,961,628</u>
Business-type activities					
Compensated absences payable				33,687	22,156
Total all long-term liabilities				<u>\$ 24,470,933</u>	<u>\$ 2,983,784</u>

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

Debt Service Funds will be used to pay general government principal and interest liabilities. The General Fund and Sewer Utility Fund will pay for the corresponding compensated absence liability.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvements Bonds	\$ 13,725,000	\$ 3,035,000	\$ 1,595,000	\$ 15,165,000	\$ 2,260,000
G.O. Bonds	1,245,000	7,000,000	285,000	7,960,000	295,000
Unamortized premium	221,818	565,303	45,322	741,799	-
Compensated absences payable	511,245	482,463	423,261	570,447	406,628
Total governmental activities	<u>15,703,063</u>	<u>11,082,766</u>	<u>2,348,583</u>	<u>24,437,246</u>	<u>2,961,628</u>
Business-type activities					
Compensated absences payable	32,433	14,620	13,366	33,687	22,156
Total government	<u>\$ 15,735,496</u>	<u>\$ 11,097,386</u>	<u>\$ 2,361,949</u>	<u>\$ 24,470,933</u>	<u>\$ 2,983,784</u>

D. Long-Term Debt

The annual requirements to amortize all bonded debt outstanding follows:

Year Ending December 31,	Governmental Activities					
	Improvement Bonds			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,260,000	\$ 336,140	\$ 2,596,140	\$ 295,000	\$ 309,153	\$ 604,153
2021	1,195,000	316,588	1,511,588	575,000	242,300	817,300
2022	1,385,000	285,493	1,670,493	595,000	222,150	817,150
2023	1,350,000	252,051	1,602,051	620,000	200,100	820,100
2024	1,305,000	219,425	1,524,425	405,000	180,750	585,750
2025-2029	5,440,000	631,881	6,071,881	2,260,000	664,275	2,924,275
2030-2034	2,015,000	129,220	2,144,220	2,635,000	288,825	2,923,825
2035-2037	215,000	6,762	221,762	575,000	8,625	583,625
Total	<u>\$ 15,165,000</u>	<u>\$ 2,177,560</u>	<u>\$ 17,342,560</u>	<u>\$ 7,960,000</u>	<u>\$ 2,116,178</u>	<u>\$ 10,076,178</u>

In November 2019, the City issued \$3,035,000 of General Obligation Refunding Bonds Series 2019B. A portion of the proceeds of this issue were used to redeem the 2020 through 2030 maturities of the City's 2010A G.O Bonds on November 20, 2019. Additionally, a portion of the proceeds will refund the 2021 through 2031 maturities of the City's 2011A G.O. Improvement Bonds on February 1, 2020. These refunding transactions reduced the City's total future debt service payments by \$101,787 and resulted in present value savings of \$82,557.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 7 – OPERATING LEASE

The City leases nine squad cars under a noncancelable operating lease.

The following is a schedule by years of future minimum payments required under the leases as of December 31, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 51,994
2021	29,354
2022	12,616
2023	<u>329</u>
Total	<u>\$ 94,293</u>

NOTE 8 – CONDUIT DEBT

From time-to-time, the City has issued Industrial Development and Housing Mortgage Revenue Bonds in accordance with the Minnesota Municipal Industrial Development Act. These obligations are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the City, the State of Minnesota, nor any political subdivision thereof, is obligated in any manner for the repayment of the obligations. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

The aggregate amount of all conduit debt obligations outstanding as of December 31, 2019, was \$16,451,914.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 9 – FUND BALANCE DETAIL

Fund equity balances are classified below to reflect the limitations and restrictions of the respective Funds.

	General Fund	Special Assessment Debt Service	Street Capital Projects	Fire Hall Remodel	Other Governmental Funds	Total
Nonspendable						
Inventories	\$ 22,487	\$ -	\$ -	\$ -	\$ -	\$ 22,487
Prepaid items	271,577	-	-	-	5,452	277,029
Restricted						
Park dedication fees	-	-	-	-	648,742	648,742
Fire hall remodel	-	-	-	3,180,385	-	3,180,385
Street light maintenance	-	-	-	-	27,582	27,582
Debt service	-	4,164,622	-	-	642,619	4,807,241
Committed						
Water system maintenance	-	-	-	-	544,358	544,358
Par 3 golf course	-	-	-	-	46,347	46,347
Emergency preparedness and civil defense	-	-	-	-	136,672	136,672
Assigned						
Capital projects	-	-	-	-	1,603,551	1,603,551
Insurance reserve	56,810	-	-	-	-	56,810
Unassigned	<u>9,002,011</u>	<u>-</u>	<u>(205,232)</u>	<u>-</u>	<u>(331,055)</u>	<u>8,465,724</u>
Total	<u>\$ 9,352,885</u>	<u>\$ 4,164,622</u>	<u>\$ (205,232)</u>	<u>\$ 3,180,385</u>	<u>\$ 3,324,268</u>	<u>\$ 19,816,928</u>

NOTE 10 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance or settlements in excess of insurance coverage for any of the past three years.

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is not retrospectively rated. However, the actual premium is adjusted based on audited payroll amounts.

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2019, was \$391,045. The components of pension expense are noted in the following plan summaries.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

The General Fund and Sewer and Stormwater Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. 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%. 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 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$157,416. The City's contributions were equal to the required contributions as set by state statute.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire member’s contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$311,718. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,608,874 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 2019. 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 \$49,998. 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 0.0291%, which was an increase of 0.0010% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 1,608,874
State of Minnesota's proportionate share of the net pension liability associated with the City	49,998
Total	\$ 1,658,872

For the year ended December 31, 2019, the City recognized pension expense of \$160,136 for its proportionate share of General Employees Plan’s pension expense. Included in the amount, the City recognized \$3,744 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 44,475	\$ -
Changes in actuarial assumptions	-	124,935
Difference between projected and actual investment earnings	-	152,024
Changes in proportion	41,607	79,475
Contributions paid to PERA subsequent to the measurement date	78,708	-
Total	\$ 164,790	\$ 356,434

\$78,708 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (127,827)
2021	(127,938)
2022	(17,180)
2023	2,593
2021	-
Thereafter	-
Total	\$ (270,352)

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,726,959 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 0.1643%, which was an increase of 0.0116% from its proportionate share measured as of June 30, 2018. The City also recognized \$22,180 for the year ended December 31, 2019 as revenue and an offsetting reduction of the 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.

For the year ended December 31, 2019, the City recognized pension expense of \$230,909 for its proportionate share of the Police and Fire Plan’s pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 69,924	\$ 250,430
Changes in actuarial assumptions	1,369,348	1,795,972
Difference between projected and actual investment earnings	-	328,502
Changes in proportion	134,913	136,330
Contributions paid to PERA subsequent to the measurement date	155,859	-
Total	\$ 1,730,044	\$ 2,511,234

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$155,859 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (125,402)
2021	(212,799)
2022	(643,581)
2023	25,607
2024	19,126
Total	\$ (937,049)

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 for all plans 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% per year for the General Employees Plan and, 1.0% per year for the 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 Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.08
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	<u>100 %</u>	

**City of Mendota Heights
Notes to Financial Statements**

NOTE 11 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

F. Discount Rate

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

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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 2,644,902	\$ 1,608,874	\$ 753,427
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,801,114	\$ 1,726,959	\$ (22,146)

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 Mendota Heights
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Contribution Pension Plan – Volunteer Fire Fighter’s Relief Association

The Mendota Heights Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Mendota Heights Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mendota Heights Firefighter’s Association, 2121 Dodd Road Mendota Heights, Minnesota 55120 or by calling 651-249-7640.

The City contributes to the Mendota Heights Volunteer Fire Department Relief Association (the "Association") that provides pension benefits to its members under a single employer defined contribution plan. Since fire department members are volunteers, contributions to the Association are not based on payroll but rather on years of active service. All active firefighters may apply for membership in the Association and shall become a member immediately upon approval by the Board of Trustees.

Under an Annual Contribution Agreement, the City’s contribution to the Association is determined by multiplying \$4,500 by the number of years of active service completed by members of the Association for the plan year, prorated by months for members who did not complete a full year of active service. The City also contributes a portion of the Association’s administrative fees each year. For 2019, the total contribution was \$152,640. Required and actual employer contributions to the plan during 2019 were \$152,640. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2019, the state aid was \$104,236. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 4% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees (as required by Minnesota Statute 471.61) and police or firefighters disabled in the line of duty (as required by Minnesota Statute 299A.465). The required contributions are based on projected pay-as-you-go financing requirements. As of December 31, 2019, there were 11 retirees participating in the City’s healthcare plan.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Benefits Provided

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield and Delta Dental.

C. Contributions

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2019, the City contributed \$126,784.

D. Members

As of December 31, 2019, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	46
	46
Total	58

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.80%, net of investment expense
Inflation	2.50%
Healthcare cost trend increases	6.25% initially, grading to 5% over five years
Mortality assumption	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2017 – January 1, 2018.

The discount rate used to measure the total OPEB liability was 3.80% based on 20 year municipal G.O. Bonds.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$868,121 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

	<u>Total OPEB Liability</u>
Balance at January 1, 2018	<u>\$ 950,528</u>
Changes for the year	
Service cost	22,733
Interest	30,230
Changes of assumptions	(20,053)
Benefit payments	<u>(115,317)</u>
Net changes	<u>(82,407)</u>
Balance at January 1, 2019	<u><u>\$ 868,121</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.30% in 2018 to 3.80% in 2019.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 3.80% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease (2.80%)	Current (3.80%)	1% increase (4.80%)
\$ 913,146	\$ 868,121	\$ 826,266

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

Total OPEB Liability/(Asset)		
1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
\$ 814,199	\$ 868,121	\$ 928,399

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$50,456. At December 31, 2019, the Distract reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes	\$ -	\$ 17,546
Subsequent contributions	126,784	-
Total	\$ 126,784	\$ -

NOTE 13 – TOWN CENTER – THE VILLAGE AT MENDOTA HEIGHTS

The City temporarily has title to certain real properties in Town Center. The City currently has title to land valued by Dakota County at \$731,500. Once the project is complete all parcels, except the out lots which are included in the City's capital assets, will be developed and owned privately, and thus the land is not reported in the City's financial statements.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 14 – JOINT VENTURES

A. Dakota Communications Center

The City is a member of the Dakota Communication Center (DCC). The DCC was created by a joint powers agreement between Dakota County and several cities. Its purposes include the establishment, operation, and maintenance of joint law enforcement, fire, EMS and other emergency communications systems. Members are obligated to pay their proportional share of operating and capital expenditures on an annual basis. The City paid \$215,076 for 2019. Members do not maintain an equity interest other than if the DCC were to terminate. Withdrawing members forfeit any interest in the DCC. Information regarding the DCC can be obtained at the website www.mn-dcc.org.

B. Local Government Information Systems Association (LOGIS)

The consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is a legally separate entity; the entities appoint a voting majority of its board, and the consortium is fiscally independent of the City. For 2019, the City paid \$263,548 for computer application support and computer hardware for the City's network. Complete financial statements of the consortium may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

NOTE 15 – CONTINGENCIES

The City has various claims and litigation that arise in the normal course of business. The City has evaluated the impact of these items for the December 31, 2019, financial statements and determined they do not have a material effect on financial position or changes in financial position.

NOTE 16 – COMMITTED CONTRACTS

At December 31, 2019, the City had commitments of \$2,914,474 for uncompleted construction contracts.

**City of Mendota Heights
Notes to Financial Statements**

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2019, the City reclassified the Par 3 Golf Course Fund from an Enterprise Fund to a Special Revenue Fund. The change in accounting principle for this change is listed below.

	Golf Course Governmental Fund	Golf Course Enterprise Fund and Business Type Activities	Governmental Activities
Equity balance - December 31, 2018	\$ -	\$ 2,778,761	\$ 24,881,725
Current assets	53,889	(53,889)	53,889
Capital assets	-	(2,847,284)	2,847,284
Accumulated depreciation	-	112,887	(112,887)
Deferred outflows of resources related to pensions	-	(885)	885
Deferred outflows of resources related to OPEB	-	(125)	125
Salaries and benefits payable	(352)	352	(352)
Accounts payable	(415)	415	(415)
Due to other governments	(395)	395	(395)
OPEB payable	-	2,844	(2,844)
Net pension liability	-	4,884	(4,884)
Deferred inflows of resources related to pensions	-	1,645	(1,645)
Cumulative Effect of Change in Accounting Principle	<u>52,727</u>	<u>(2,778,761)</u>	<u>2,778,761</u>
Restated equity balance - January 1, 2019	<u>\$ 52,727</u>	<u>\$ -</u>	<u>\$ 27,660,486</u>

The change in accounting principle for this change between governmental activities and business-type activities on the Statement of Activities is \$2,778,761

NOTE 18 – TAX INCREMENT FINANCING

The City has entered into a Tax Increment Financing agreement which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into this agreement for the purpose of redevelopment.

Under this agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2019, the City generated \$0 in tax increment revenue and made \$0 in payments to developers.

City of Mendota Heights
Notes to Financial Statements

NOTE 19 – SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019, cannot be determined at this time.

NOTE 20 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Mendota Heights
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2019	December 31, 2018
Total OPEB Liability		
Service cost	\$ 22,733	\$ 24,002
Interest	30,230	31,883
Differenced between expected and actual experience	-	-
Changes of assumptions	(20,053)	-
Changes of benefit terms	-	-
Benefit payments	(115,317)	(94,257)
Other changes	-	-
Net change in total OPEB liability	(82,407)	(38,372)
Beginning of year	950,528	988,900
Total OPEB Liability	\$ 868,121	\$ 950,528
Covered-employee payroll	\$ 3,460,084	\$ 3,359,305
Net OPEB liability as a percentage of covered-employee payroll	25.09%	28.30%

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

**City of Mendota Heights
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0322%	\$ 1,668,771	\$ -	\$ 1,668,771	\$ 1,859,307	89.8%	78.19%
2016	0.0315%	2,557,644	33,392	2,591,036	1,954,600	130.9%	68.91%
2017	0.0290%	1,851,341	23,303	1,874,644	1,870,160	99.0%	75.90%
2018	0.0281%	1,558,873	51,096	1,609,969	1,887,853	82.6%	79.53%
2019	0.0291%	1,608,874	49,998	1,658,872	2,058,880	78.1%	80.23%

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

**Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1530%	\$ 1,738,438	\$ 1,359,920	127.8%	86.61%
2016	0.1550%	6,220,420	1,496,272	415.7%	63.88%
2017	0.1500%	2,011,679	1,543,389	130.3%	85.43%
2018	0.1527%	1,613,882	1,609,556	100.3%	88.84%
2019	0.1643%	1,726,959	1,694,808	101.9%	89.26%

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

**City of Mendota Heights
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 149,420	\$ 149,420	\$ -	\$ 1,992,267	7.5%
2016	139,806	139,806	-	1,864,080	7.5%
2017	137,806	137,806	-	1,837,413	7.5%
2018	146,272	146,272	-	1,950,293	7.5%
2019	157,416	157,416	-	2,098,880	7.5%

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

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 237,655	\$ 237,655	\$ -	\$ 1,467,006	16.20%
2016	245,917	245,917	-	1,518,006	16.20%
2017	251,584	251,584	-	1,552,988	16.20%
2018	266,168	266,168	-	1,643,012	16.20%
2019	311,718	311,718	-	1,839,044	16.95%

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

City of Mendota Heights
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

City of Mendota Heights
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of Mendota Heights
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% 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% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% 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% 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% to 60%.
- 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.

City of Mendota Heights
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

OPEB

2019 Changes

- The discount rate increased from 3.30% in 2018 to 3.80% in 2019

2018 Changes

- The discount rate decreased from 4.00% in 2017 to 3.30% in 2018.

There are no assets accumulated in a trust.

SUPPLEMENTARY INFORMATION

**City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue		
	Water Revenue	Special Park	Civil Defense
Assets			
Cash and investments	\$ 540,517	\$ 678,509	\$ 136,489
Taxes receivable - delinquent	-	-	124
Special assessments receivable			
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	789	1,291	183
Due from other funds	-	-	-
Due from other governments	3,052	-	-
Prepaid items	-	-	-
Land held for resale	-	-	-
	<u>\$ 544,358</u>	<u>\$ 679,800</u>	<u>\$ 136,796</u>
Total assets			
Liabilities			
Accounts and contracts payable	\$ -	\$ 31,058	\$ -
Due to other funds	-	-	-
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Total liabilities	<u>-</u>	<u>31,058</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	-	124
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>124</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	648,742	-
Committed	544,358	-	136,672
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>544,358</u>	<u>648,742</u>	<u>136,672</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 544,358</u>	<u>\$ 679,800</u>	<u>\$ 136,796</u>

Special Revenue		Debt Service		
Street Lighting	Par 3 Golf Course	Par 3 G.O. Bonds	Equipment Certificates	Fire Station Bonds
\$ 33,592	\$ 48,163	\$ 374,539	\$ 94,154	\$ 173,246
131	-	1,263	44	699
-	-	-	-	-
-	56	-	-	-
24	65	341	141	198
-	-	-	-	-
-	-	-	-	-
-	5,452	-	-	-
-	-	-	-	-
<u>\$ 33,747</u>	<u>\$ 53,736</u>	<u>\$ 376,143</u>	<u>\$ 94,339</u>	<u>\$ 174,143</u>
\$ 6,034	\$ 777	\$ -	\$ -	\$ -
-	-	-	-	-
-	704	-	-	-
-	456	-	-	-
<u>6,034</u>	<u>1,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
131	-	1,263	44	699
-	-	-	-	-
<u>131</u>	<u>-</u>	<u>1,263</u>	<u>44</u>	<u>699</u>
-	5,452	-	-	-
27,582	-	374,880	94,295	173,444
-	46,347	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>27,582</u>	<u>51,799</u>	<u>374,880</u>	<u>94,295</u>	<u>173,444</u>
<u>\$ 33,747</u>	<u>\$ 53,736</u>	<u>\$ 376,143</u>	<u>\$ 94,339</u>	<u>\$ 174,143</u>

**City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Capital Projects		
	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Assets			
Cash and investments	\$ 541,102	\$ 77,871	\$ 366,968
Taxes receivable - delinquent	180	99	-
Special assessments receivable			
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	433	97	547
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Land held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 541,715</u>	<u>\$ 78,067</u>	<u>\$ 367,515</u>
Liabilities			
Accounts and contracts payable	\$ 85,003	\$ -	\$ -
Due to other funds	-	-	-
Due to other governments	-	-	-
Salaries and benefits payable	-	-	-
Total liabilities	<u>85,003</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	180	99	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>180</u>	<u>99</u>	<u>-</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	456,532	77,968	367,515
Unassigned	-	-	-
Total fund balances	<u>456,532</u>	<u>77,968</u>	<u>367,515</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 541,715</u>	<u>\$ 78,067</u>	<u>\$ 367,515</u>

Capital Projects					
Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non- Increment	Special Assessment Capital Project	TIF District No. 2	Total Nonmajor Governmental Funds
\$ 405,820	\$ 959	\$ 25,861	\$ -	\$ -	\$ 3,497,790
-	-	-	-	-	2,540
-	-	-	10,329	-	10,329
-	-	-	11,032	-	11,088
789	-	43	165	-	5,106
165,045	-	8,581	-	-	173,626
-	-	-	1,374	-	4,426
-	-	-	-	-	5,452
-	-	96,100	-	-	96,100
<u>\$ 571,654</u>	<u>\$ 959</u>	<u>\$ 130,585</u>	<u>\$ 22,900</u>	<u>\$ -</u>	<u>\$ 3,806,457</u>
\$ -	\$ -	\$ 1,662	\$ -	\$ -	\$ 124,534
-	-	-	165,045	8,581	173,626
-	-	-	170,000	-	170,704
-	-	-	-	-	456
-	-	1,662	335,045	8,581	469,320
-	-	-	-	-	2,540
-	-	-	10,329	-	10,329
-	-	-	10,329	-	12,869
-	-	-	-	-	5,452
-	-	-	-	-	1,318,943
-	-	-	-	-	727,377
571,654	959	128,923	-	-	1,603,551
-	-	-	(322,474)	(8,581)	(331,055)
<u>571,654</u>	<u>959</u>	<u>128,923</u>	<u>(322,474)</u>	<u>(8,581)</u>	<u>3,324,268</u>
<u>\$ 571,654</u>	<u>\$ 959</u>	<u>\$ 130,585</u>	<u>\$ 22,900</u>	<u>\$ -</u>	<u>\$ 3,806,457</u>

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Special Revenue		
	Water Revenue	Special Park	Civil Defense
Revenues			
Property taxes	\$ -	\$ -	\$ 25,124
Intergovernmental	-	-	-
Charges for services	117,261	-	-
Fines and forfeitures	-	-	1
Miscellaneous			
Investment income	13,047	21,348	3,004
Other	-	257,000	-
Total revenues	130,308	278,348	28,129
Expenditures			
Current			
General government	124	-	9,277
Public safety	-	-	-
Public works	-	59,818	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public works	59,482	328,696	-
Total expenditures	59,606	388,514	9,277
Excess of revenues over (under) expenditures	70,702	(110,166)	18,852
Other Financing Sources (Uses)			
Issuance of debt	-	-	-
Bond premium	-	-	-
Transfers in	-	-	-
Transfers out	(14,050)	(1,500)	-
Total other financing sources (uses)	(14,050)	(1,500)	-
Net change in fund balances	56,652	(111,666)	18,852
Fund Balances			
Beginning of year	487,706	760,408	117,820
Change in accounting principle (Note 17)	-	-	-
Beginning of the year, as restated	487,706	760,408	117,820
End of year	\$ 544,358	\$ 648,742	\$ 136,672

Special Revenue			Debt Service		
Street Lighting	Par 3 Golf Course	Toward Zero Death	Par 3 G.O. Bonds	Equipment Certificates	Fire Station Bonds
\$ 50,898	\$ -	\$ -	\$ 243,138	\$ 286	\$ 170,163
-	-	190,424	-	-	-
-	145,845	-	-	-	-
-	-	-	-	2	-
396	1,068	-	5,653	2,334	3,282
-	16,068	-	-	-	-
<u>51,294</u>	<u>162,981</u>	<u>190,424</u>	<u>248,791</u>	<u>2,622</u>	<u>173,445</u>
42,686	-	-	-	-	-
-	-	190,424	-	-	-
-	146,210	-	-	-	-
-	-	-	205,000	45,000	-
-	-	-	24,525	2,707	107,078
-	71,723	-	-	-	-
<u>42,686</u>	<u>217,933</u>	<u>190,424</u>	<u>229,525</u>	<u>47,707</u>	<u>107,078</u>
8,608	(54,952)	-	19,266	(45,085)	66,367
-	-	-	-	-	7,000,000
-	-	-	-	-	401,409
-	54,024	-	-	-	-
-	-	-	-	-	(7,294,332)
<u>-</u>	<u>54,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,077</u>
8,608	(928)	-	19,266	(45,085)	173,444
18,974	-	-	355,614	139,380	-
-	52,727	-	-	-	-
<u>18,974</u>	<u>52,727</u>	<u>-</u>	<u>355,614</u>	<u>139,380</u>	<u>-</u>
<u>\$ 27,582</u>	<u>\$ 51,799</u>	<u>\$ -</u>	<u>\$ 374,880</u>	<u>\$ 94,295</u>	<u>\$ 173,444</u>

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Capital Projects		
	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Revenues			
Property taxes	\$ 33,243	\$ 20,267	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	1	1	-
Miscellaneous			
Investment income	7,157	1,618	9,054
Other	-	-	-
Total revenues	<u>40,401</u>	<u>21,886</u>	<u>9,054</u>
Expenditures			
Current			
General government	-	-	886
Public safety	-	-	-
Public works	55,402	4,276	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public works	<u>237,767</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>293,169</u>	<u>4,276</u>	<u>886</u>
Excess of revenues over (under) expenditures	(252,768)	17,610	8,168
Other Financing Sources (Uses)			
Issuance of debt	-	-	-
Bond premium	-	-	-
Transfers in	293,169	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>293,169</u>	<u>-</u>	<u>-</u>
Net change in fund balances	40,401	17,610	8,168
Fund Balances			
Beginning of year	416,131	60,358	359,347
Change in accounting principle (Note 17)	-	-	-
Beginning of the year, as restated	<u>416,131</u>	<u>60,358</u>	<u>359,347</u>
End of year	<u>\$ 456,532</u>	<u>\$ 77,968</u>	<u>\$ 367,515</u>

Capital Projects					
Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non- Increment	Special Assessment Capital Project	TIF District No. 2	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,980	\$ 545,099
-	-	-	-	-	190,424
-	-	-	-	-	263,106
-	-	-	-	-	5
13,046	-	712	2,728	-	84,447
65,344	-	36,245	-	-	374,657
<u>78,390</u>	<u>-</u>	<u>36,957</u>	<u>2,728</u>	<u>1,980</u>	<u>1,457,738</u>
1,856	-	19,947	-	-	74,776
-	-	-	-	-	190,424
-	-	-	-	-	265,706
-	-	-	-	-	250,000
-	-	-	-	-	134,310
-	-	-	3,180	1,609	702,457
<u>1,856</u>	<u>-</u>	<u>19,947</u>	<u>3,180</u>	<u>1,609</u>	<u>1,617,673</u>
76,534	-	17,010	(452)	371	(159,935)
-	-	-	-	-	7,000,000
-	-	-	-	-	401,409
-	-	-	-	-	347,193
-	-	-	-	-	(7,309,882)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,720</u>
76,534	-	17,010	(452)	371	278,785
495,120	959	111,913	(322,022)	(8,952)	2,992,756
-	-	-	-	-	52,727
<u>495,120</u>	<u>959</u>	<u>111,913</u>	<u>(322,022)</u>	<u>(8,952)</u>	<u>3,045,483</u>
<u>\$ 571,654</u>	<u>\$ 959</u>	<u>\$ 128,923</u>	<u>\$ (322,474)</u>	<u>\$ (8,581)</u>	<u>\$ 3,324,268</u>

City of Mendota Heights
Combining Statement of Net Position - Internal Service Funds
December 31, 2019

	Compensated Absences	City Hall Sinking Fund	Total
Assets			
Current assets			
Cash and investments (including cash equivalents)	\$ 555,915	\$ 14,184	\$ 570,099
Interest receivable	-	174	174
Prepaid expenses	-	8,419	8,419
Total current assets	<u>555,915</u>	<u>22,777</u>	<u>578,692</u>
Noncurrent assets			
Capital assets			
Land	-	25,000	25,000
Buildings	-	2,264,567	2,264,567
Improvements other than buildings	-	40,781	40,781
Machinery and equipment	-	66,969	66,969
Total capital assets	<u>-</u>	<u>2,397,317</u>	<u>2,397,317</u>
Less accumulated depreciation	<u>-</u>	<u>(1,737,689)</u>	<u>(1,737,689)</u>
Net capital assets	<u>-</u>	<u>659,628</u>	<u>659,628</u>
Total assets	<u>555,915</u>	<u>682,405</u>	<u>1,238,320</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	470	470
Deferred outflows of resources related to pensions	<u>-</u>	<u>5,157</u>	<u>5,157</u>
Total deferred outflows of resources	<u>-</u>	<u>5,627</u>	<u>5,627</u>
Total assets and deferred outflows of resources	<u>\$ 555,915</u>	<u>\$ 688,032</u>	<u>\$ 1,243,947</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	\$ -	\$ 6,838	\$ 6,838
Salaries and benefits payable	-	2,028	2,028
Due to other governments	-	95	95
Noncurrent liabilities due within one year	<u>401,590</u>	<u>5,038</u>	<u>406,628</u>
Total current liabilities	<u>401,590</u>	<u>13,999</u>	<u>415,589</u>
Noncurrent liabilities			
Compensated absences	555,915	14,532	570,447
OPEB payable	-	6,068	6,068
Net pension liability	-	50,351	50,351
Less amount due within one year	<u>(401,590)</u>	<u>(5,038)</u>	<u>(406,628)</u>
Total noncurrent liabilities	<u>154,325</u>	<u>65,913</u>	<u>220,238</u>
Total liabilities	<u>555,915</u>	<u>79,912</u>	<u>635,827</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>-</u>	<u>11,155</u>	<u>11,155</u>
Net Position			
Investment in capital assets	-	659,628	659,628
Unrestricted	<u>-</u>	<u>(62,663)</u>	<u>(62,663)</u>
Total net position	<u>-</u>	<u>596,965</u>	<u>596,965</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 555,915</u>	<u>\$ 688,032</u>	<u>\$ 1,243,947</u>

City of Mendota Heights
Combining Statement of Revenues, Expenses, and Changes
in Net Position - Internal Service Funds
Year Ended December 31, 2019

	City Hall Sinking Fund	Total
Operating revenues		
Charges for services	\$ 216,940	\$ 216,940
Operating expenses		
Wages and salaries	66,934	66,934
Employee benefits	35,630	35,630
Professional services	3,923	3,923
Insurance	6,206	6,206
Utilities	34,251	34,251
Depreciation	35,419	35,419
Miscellaneous	43,059	43,059
Total operating expenses	225,422	225,422
Operating loss	(8,482)	(8,482)
Nonoperating revenues		
Investment income	2,888	2,888
Change in net position	(5,594)	(5,594)
Net position		
Beginning of year	602,559	602,559
End of year	\$ 596,965	\$ 596,965

City of Mendota Heights
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2019

	Compensated Absences	City Hall Sinking Fund	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ -	\$ 216,940	\$ 216,940
Payments to suppliers	-	(87,645)	(87,645)
Payments to employees	58,229	(102,881)	(44,652)
Net cash flows - operating activities	<u>58,229</u>	<u>26,414</u>	<u>84,643</u>
Cash Flows - Capital And Related Financing Activities			
Acquisition of capital assets	-	(126,730)	(126,730)
Cash Flows - Investing Activities			
Interest and dividends received	-	2,863	2,863
Net change in cash and cash equivalents	58,229	(97,453)	(39,224)
Cash and Cash Equivalents			
Beginning of year	<u>497,686</u>	<u>111,637</u>	<u>609,323</u>
End of year	<u>\$ 555,915</u>	<u>\$ 14,184</u>	<u>\$ 570,099</u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities			
Operating loss	\$ -	\$ (8,482)	\$ (8,482)
Adjustments to reconcile operating Loss to net cash flows - Operating activities			
Depreciation expense	-	35,419	35,419
Prepaid items	-	(540)	(540)
Accounts payable	-	337	337
Due to other governmental units	-	(3)	(3)
Salaries payable	-	321	321
OPEB payable	-	1,039	1,039
Pension related items	-	(2,651)	(2,651)
Compensated absences payable	58,229	974	59,203
Total adjustments	<u>58,229</u>	<u>34,896</u>	<u>93,125</u>
Net cash flows - operating activities	<u>\$ 58,229</u>	<u>\$ 26,414</u>	<u>\$ 84,643</u>

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Variance with Final budget - over (under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 7,449,004	\$ 7,509,301	\$ 60,297
Licenses and permits	374,700	480,249	105,549
Intergovernmental revenue			
State grants and aids			
PERA aid	9,070	9,073	3
Fire aid	100,000	104,236	4,236
Police aid	130,000	163,345	33,345
Other grants and aids	195,000	252,581	57,581
Total intergovernmental revenue	<u>434,070</u>	<u>529,235</u>	<u>95,165</u>
Charges for services	716,222	716,877	655
Fines and forfeitures	72,500	123,848	51,348
Miscellaneous revenues			
Investment income	35,000	186,336	151,336
Other	137,000	199,430	62,430
Total miscellaneous revenues	<u>172,000</u>	<u>385,766</u>	<u>213,766</u>
Total revenues	<u>9,218,496</u>	<u>9,745,276</u>	<u>526,780</u>
Expenditures			
General government			
Mayor and council			
Salaries and benefits	24,346	24,311	(35)
Contracted services	24,000	20,655	(3,345)
Administration and finance			
Salaries and benefits	745,960	752,130	6,170
Materials and supplies	14,700	17,904	3,204
Contracted services	407,500	433,206	25,706

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019
(Continued)

	Budgeted Amounts <u>Original</u> <u>And final</u>	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
General government (continued)			
Elections			
Salaries and benefits	\$ 38,409	\$ 36,391	\$ (2,018)
Materials and supplies	7,008	3,818	(3,190)
Contracted services	2,300	2,258	(42)
Information technology			
Materials and supplies	85,475	18,938	(66,537)
Contracted services	103,310	91,347	(11,963)
Planning and zoning			
Salaries and benefits	140,100	139,692	(408)
Materials and supplies	4,500	1,905	(2,595)
Contracted services	36,650	28,331	(8,319)
Recycling			
Salaries and benefits	18,200	24,138	5,938
Contracted services	14,600	17,064	2,464
Miscellaneous			
Contracted services	-	64,246	64,246
Total general government	<u>1,667,058</u>	<u>1,676,334</u>	<u>9,276</u>
Public safety			
Police protection			
Salaries and benefits	3,198,167	3,022,368	(175,799)
Materials and supplies	222,000	167,695	(54,305)
Contracted services	739,859	661,505	(78,354)
Fire protection			
Salaries and benefits	301,711	304,259	2,548
Materials and supplies	97,300	68,203	(29,097)
Contracted services	363,000	383,075	20,075
Total public safety	<u>4,922,037</u>	<u>4,607,105</u>	<u>(314,932)</u>

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2019
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
Public works			
Code enforcement			
Materials and supplies	\$ 2,500	\$ 1,981	\$ (519)
Contracted services	115,875	110,309	(5,566)
Street maintenance			
Salaries and benefits	1,014,353	1,012,845	(1,508)
Materials and supplies	111,350	153,402	42,052
Contracted services	480,479	462,310	(18,169)
Parks			
Salaries and benefits	581,794	570,678	(11,116)
Materials and supplies	206,650	172,778	(33,872)
Contracted services	163,950	161,606	(2,344)
Total public works	2,676,951	2,645,909	(31,042)
Total expenditures	9,266,046	8,929,348	(336,698)
Excess of revenues over (under) expenditures	(47,550)	815,928	863,478
Other Financing Sources (Uses)			
Transfer in	47,550	47,550	-
Transfer out	-	(347,193)	(347,193)
Total other financing sources (uses)	47,550	(299,643)	(347,193)
Net change in fund balance	\$ -	516,285	\$ 516,285
Fund Balance			
Beginning of year		8,836,600	
End of year		\$ 9,352,885	

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Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, 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 Mendota Heights, Minnesota as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 22, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Mendota Heights failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. 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.

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.

BerganKDV Ltd.

Minneapolis, Minnesota
May 22, 2020