

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 16, 2021

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF ALBERT LEA, MINNESOTA (Freeborn County)

(Minnesota City Credit Enhancement Program)

\$7,155,000* GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2021B

PROPOSAL OPENING: September 27, 2021, 10:30 A.M., C.T.

CONSIDERATION: September 27, 2021, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$7,155,000* General Obligation Utility Revenue Bonds, Series 2021B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City of Albert Lea, Minnesota (the "City") for the purpose of financing the demolition of the existing water tower and the construction of a new water tower within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: October 21, 2021

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$285,000	2030	\$340,000	2037	\$380,000
2024	320,000	2031	345,000	2038	390,000
2025	325,000	2032	350,000	2039	400,000
2026	325,000	2033	355,000	2040	405,000
2027	330,000	2034	360,000	2041	415,000
2028	330,000	2035	365,000	2042	425,000
2029	335,000	2036	375,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$7,069,140.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$143,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF ALBERT LEA CITY COUNCIL

		<u>Term Expires</u>
Vern Rasmussen Jr	Mayor	January 2023
Larry Baker	Council Member	January 2023
Al Brooks	Council Member	January 2023
Jason Howland	Council member	January 2025
Rich Murray	Council Member	January 2025
Reid Olson	Council Member	January 2023
Robert Rasmussen	Council Member	January 2025

ADMINISTRATION

Patrick Rigg, City Manager
Kristi Brutlag, Finance Director

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Albert Lea, Minnesota (the "City") and the issuance of its \$7,155,000* General Obligation Utility Revenue Bonds, Series 2021B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on September 27, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of October 21, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City, for the purpose of financing the demolition of the existing water tower and the construction of a new water tower within the City.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$7,155,000</u>	
Total Sources		\$7,155,000
Uses		
Total Underwriter's Discount (1.200%)	\$85,860	
Costs of Issuance	68,000	
Deposit to Project Construction Fund	7,000,000	
Rounding Amount	<u>1,140</u>	
Total Uses		\$7,155,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid entirely from net revenues of the water system which is owned and operated by the City. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a minimum rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The City currently has a "AA-" underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on August 23, 2021 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

The City covenants in the Agreement to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the City believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Authority not less than 15 business days prior to the date a payment is due on the Bonds if the City will be unable to make all or a portion of the payment. The City's agreement with the Paying Agent for the Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Bonds, or if, on the day two business days before the date a payment is due on the Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excludable from gross income of the owners thereof for purposes of federal income taxation and is excludable from taxable net income of individuals, estates and trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2020 have been audited by Bergan KDV, Ltd, Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (water revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2018/19	2019/20	2020/21
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value

\$1,186,802,872¹

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	\$1,040,769,500	\$11,111,511
Personal Property	<u>16,341,200</u>	<u>326,642</u>
Total Valuation	<u>\$1,057,110,700</u>	\$11,438,153
Less: Captured Tax Increment Tax Capacity ²		<u>(321,836)</u>
Taxable Net Tax Capacity		<u>\$11,116,317</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 89.20% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,186,802,872.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 5,370,991	46.96%
Agricultural	71,525	0.63%
Commercial/industrial	4,014,471	35.10%
Public utility	74,234	0.65%
Railroad operating property	38,670	0.34%
Non-homestead residential	1,531,621	13.39%
Commercial & residential seasonal/rec.	9,999	0.09%
Personal property	326,642	2.86%
Total	<u>\$11,438,153</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2016/17	\$ 921,363,300	\$794,396,500	\$10,152,259	\$9,885,138	+3.32%
2017/18	917,295,800	790,207,400	10,017,738	9,728,921	-0.44%
2018/19	965,131,800	836,788,800	10,492,916	10,193,728	+5.21%
2019/20	1,033,265,000	903,172,000	11,166,828	10,855,517	+7.06%
2020/21	1,057,110,700	926,374,600	11,438,153	11,116,317	+2.31%

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS¹

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Freeborn Mower Electric Co-op	Personal Property/Commercial	\$ 152,066	1.33%
Wal-mart Real Estate Business	Commercial	133,721	1.17%
Larson Manufacturing Company	Industrial	125,189	1.09%
Minnesota Energy Resources Corporation	Utility	122,226	1.07%
Albert Lea Port Authority	Industrial	121,385	1.06%
Pratt Properties II, LLC	Industrial	119,122	1.04%
Continental Albert Lea, LLP	Industrial	107,474	0.94%
Good Samaritan Society	Residential	82,314	0.72%
ITC Midwest, LLC	Personal Property	82,014	0.72%
Individual	Industrial	78,222	0.68%
Total		<u>\$ 1,123,733</u>	<u>9.82%</u>

City's Total 2020/21 Net Tax Capacity \$11,438,153

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Freeborn County.

¹ In 2020, the estimated median commercial and industrial sales ratio used to equalize utility values in Freeborn County dropped below 90% to 88.35%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes	\$17,620,000
Total G.O. debt secured by tax increment revenues	175,000
Total G.O. debt secured by taxes	1,400,000
Total G.O. debt secured by utility revenues (includes the Bonds)*	<u>11,496,000</u>
Total General Obligation Debt*	<u><u>\$30,691,000</u></u>

Lease Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
10/12/16	\$209,800	Fire Department Equipment- City	3/15/30	\$148,769

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/21/2021)

	PIR Fund Refunding Bonds Series 2010A	PIR Fund Bonds Series 2011A	PIR Fund Bonds Series 2012A	PIR Fund Bonds Series 2013A	Improvement Refunding Bonds 1) Series 2014B
Dated Amount	07/28/2010 \$3,260,000	06/01/2011 \$970,000	07/26/2012 \$2,215,000	09/18/2013 \$5,335,000	09/09/2014 \$3,720,000
Maturity	02/01	02/01	02/01	02/01	02/01
Calendar Year Ending					
2022	Principal 165,000 Interest 16,856	Principal 65,000 Interest 894	Principal 180,000 Interest 5,993	Principal 545,000 Interest 38,314	Principal 195,000 Interest 16,313
2023	Principal 95,000 Interest 12,513		Principal 195,000 Interest 2,096	Principal 560,000 Interest 23,805	Principal 200,000 Interest 12,113
2024	Principal 100,000 Interest 9,100			Principal 570,000 Interest 8,123	Principal 205,000 Interest 7,556
2025	Principal 105,000 Interest 5,513				Principal 210,000 Interest 2,625
2026	Principal 105,000 Interest 1,838				
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
	570,000	65,000	375,000	1,675,000	810,000
	45,819	894	8,089	70,241	38,606

1) This represents the \$3,720,000 Improvement Refunding Portion of the \$3,870,000 General Obligation Bonds, Series 2014B.

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City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/21/2021)

Dated Amount	Improvement Bonds 2) Series 2015A		Improvement Bonds Series 2016A		Improvement Bonds Series 2017A		Improvement Bonds Series 2018A		Improvement Bonds 3) Series 2019A	
	07/16/2015 \$4,345,000	02/01	08/02/2016 \$3,510,000	02/01	08/17/2017 \$2,275,000	02/01	06/28/2018 \$2,430,000	02/01	08/15/2019 \$2,380,000	02/01
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	285,000	80,438	350,000	40,700	220,000	47,400	225,000	56,625	205,000	78,900
2023	300,000	70,163	360,000	33,600	230,000	40,650	235,000	49,725	220,000	70,400
2024	305,000	59,588	365,000	26,350	230,000	33,750	245,000	42,525	230,000	61,400
2025	320,000	50,213	370,000	19,000	240,000	26,700	245,000	35,175	235,000	52,100
2026	325,000	40,538	380,000	11,500	250,000	19,350	250,000	27,750	245,000	42,500
2027	90,000	34,313	385,000	3,850	260,000	11,700	260,000	20,100	255,000	32,500
2028	90,000	31,613			260,000	3,900	265,000	12,225	265,000	22,100
2029	95,000	28,838					275,000	4,125	275,000	12,675
2030	95,000	25,988							285,000	4,275
2031	100,000	22,688								
2032	105,000	18,844								
2033	105,000	14,906								
2034	110,000	10,875								
2035	115,000	6,656								
2036	120,000	2,250								
	2,560,000	497,906	2,210,000	135,000	1,690,000	183,450	2,000,000	248,250	2,215,000	376,850

2) This represents the \$4,345,000 Improvement Portion of the \$4,900,000 General Obligation Bonds, Series 2015A.

3) This represents the \$2,670,000 Improvement Portion of the \$2,875,000 General Obligation Bonds, Series 2019A.

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City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/21/2021)

Dated Amount	Maturity	Improvement Bonds 4) Series 2020A		Improvement Bonds 5) Series 2021A		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Calendar Year Ending
		08/04/2020 \$1,660,000	02/01	06/03/2021 \$1,790,000	02/01						
2022		125,000		0	35,611	3,022,218	462,218	2,560,000	15,060,000	14.53%	2022
2023		155,000		165,000	29,020	3,099,059	384,059	2,715,000	12,345,000	29.94%	2023
2024		155,000		165,000	25,720	2,879,436	309,436	2,570,000	9,775,000	44.52%	2024
2025		160,000		170,000	22,370	2,299,295	244,295	2,055,000	7,720,000	56.19%	2025
2026		165,000		175,000	18,920	2,083,120	188,120	1,895,000	5,825,000	66.94%	2026
2027		170,000		180,000	15,370	1,738,533	138,533	1,600,000	4,225,000	76.02%	2027
2028		175,000		180,000	11,770	1,332,133	97,133	1,235,000	2,990,000	83.03%	2028
2029		180,000		185,000	8,120	1,073,958	63,958	1,010,000	1,980,000	88.76%	2029
2030		185,000		190,000	5,320	796,233	41,233	755,000	1,225,000	93.05%	2030
2031		190,000		190,000	3,325	507,913	27,913	480,000	745,000	95.77%	2031
2032				190,000	1,140	314,984	19,984	295,000	450,000	97.45%	2032
2033						119,906	14,906	105,000	345,000	98.04%	2033
2034						120,875	10,875	110,000	235,000	98.67%	2034
2035						121,656	6,656	115,000	120,000	99.32%	2035
2036						122,250	2,250	120,000	0	100.00%	2036
		1,660,000	229,775	1,790,000	176,686	19,631,566	2,011,566	17,620,000			

4) This represents the \$1,860,000 Improvement Portion of the \$4,885,000 General Obligation Bonds, Series 2020A.

5) This represents the \$1,790,000 Improvement Portion of the \$2,225,000 General Obligation Bonds, Series 2021A.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Increment Revenues
(As of 10/21/2021)

Tax Increment Bonds 1)
Series 2015A

Dated Amount	Maturity	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
07/16/2015 \$555,000	02/01								
2022		85,000	4,875	85,000	4,875	89,875	90,000	48.57%	2022
2023		90,000	1,800	90,000	1,800	91,800	0	100.00%	2023
		175,000	6,675	175,000	6,675	181,675			

1) This represents the \$555,000 Tax Increment Portion of the \$4,900,000 General Obligation Bonds, Series 2015A.

**City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/21/2021)**

Dated Amount	Equipment Certificates Series 2014A		Equipment Certificates Series 2019A		Street Reconstruction Bonds 2) Series 2020A		Total P & I	Total Principal	Total Interest	Principal Outstanding	% Paid	Calendar Year Ending
	01/16/2014 \$1,285,000	02/01	08/15/2019 \$185,000	02/01	08/04/2020 \$915,000	02/01						
2022	160,000	6,463	35,000	5,500	70,000	24,350	301,313	265,000	36,313	1,135,000	18.93%	2022
2023	170,000	2,231	40,000	4,000	85,000	22,025	323,256	295,000	28,256	840,000	40.00%	2023
2024			40,000	2,400	85,000	19,475	146,875	125,000	21,875	715,000	48.93%	2024
2025			40,000	800	90,000	16,850	147,650	130,000	17,650	585,000	58.21%	2025
2026					90,000	14,150	104,150	90,000	14,150	495,000	64.64%	2026
2027					95,000	11,375	106,375	95,000	11,375	400,000	71.43%	2027
2028					95,000	8,525	103,525	95,000	8,525	305,000	78.21%	2028
2029					100,000	5,600	105,600	100,000	5,600	205,000	85.36%	2029
2030					100,000	3,100	103,100	100,000	3,100	105,000	92.50%	2030
2031					105,000	1,050	106,050	105,000	1,050	0	100.00%	2031
	330,000	8,694	155,000	12,700	915,000	126,500	1,547,894	1,400,000	147,894			

1) This represents the \$205,000 Equipment Certificates Portion of the \$2,875,000 General Obligation Bonds, Series 2019A.

2) This represents the \$1,025,000 Street Reconstruction Portion of the \$4,885,000 General Obligation Bonds, Series 2020A.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 10/21/2021)

Dated Amount	Water Revenue Bonds Series 2007B		Clean Water Fund Loan 2019 Loan		Drinking Water Loan Series 2019		Utility Revenue Bonds 1) Series 2020A		Utility Revenue Bonds 2) Series 2021A	
	07/01/2007 \$1,040,000	02/01	02/26/2019 \$1,141,297	08/20	02/26/2019 \$466,767	08/20	08/04/2020 \$2,270,000	02/01	06/03/2021 \$435,000	02/01
Maturity										
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	85,000	5,830	42,000	10,370	17,000	4,240	175,000	60,325	0	8,691
2023	90,000	1,980	43,000	9,950	17,000	4,070	205,000	54,625	40,000	7,085
2024			43,000	9,520	18,000	3,900	215,000	48,325	40,000	6,285
2025			44,000	9,090	18,000	3,720	220,000	41,800	40,000	5,485
2026			44,000	8,650	18,000	3,540	225,000	35,125	45,000	4,635
2027			45,000	8,210	18,000	3,360	230,000	28,300	45,000	3,735
2028			45,000	7,760	18,000	3,180	240,000	21,250	45,000	2,835
2029			45,000	7,310	19,000	3,000	245,000	13,975	45,000	1,935
2030			46,000	6,860	19,000	2,810	255,000	7,750	45,000	1,260
2031			46,000	6,400	19,000	2,620	260,000	2,600	45,000	788
2032			47,000	5,940	19,000	2,430			45,000	270
2033			47,000	5,470	19,000	2,240				
2034			48,000	5,000	20,000	2,050				
2035			48,000	4,520	20,000	1,850				
2036			49,000	4,040	20,000	1,650				
2037			49,000	3,550	20,000	1,450				
2038			50,000	3,060	20,000	1,250				
2039			50,000	2,560	21,000	1,050				
2040			51,000	2,060	21,000	840				
2041			51,000	1,550	21,000	630				
2042			52,000	1,040	21,000	420				
2043			52,000	520	21,000	210				
	175,000	7,810	1,037,000	123,430	424,000	50,510	2,270,000	314,075	435,000	43,003

1) This represents the \$2,000,000 Utility Revenue Portion of the \$4,885,000 General Obligation Bonds, Series 2020A.

2) This represents the \$435,000 Utility Revenue Portion of the \$2,225,000 General Obligation Bonds, Series 2021A.

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City of Albert Lea, Minnesota
 Schedule of Bonded Indebtedness continued
 General Obligation Debt Secured by Utility Revenues
 (As of 10/21/2021)

Water Revenue Bonds
 Series 2021B

Dated Amount	10/21/2021 \$7,155,000*	Maturity	02/01
Calendar Year Ending	Principal	Estimated Interest	
2022	0	90,421	
2023	285,000	115,400	
2024	320,000	113,345	
2025	325,000	110,845	
2026	325,000	108,001	
2027	330,000	104,643	
2028	330,000	100,930	
2029	335,000	96,939	
2030	340,000	92,550	
2031	345,000	87,754	
2032	350,000	82,453	
2033	355,000	76,724	
2034	360,000	70,645	
2035	365,000	64,119	
2036	375,000	57,086	
2037	380,000	49,630	
2038	390,000	41,638	
2039	400,000	33,045	
2040	405,000	24,089	
2041	415,000	14,760	
2042	425,000	4,994	
2043			
	7,155,000	1,540,008	

Calendar Year Ending	Principal Outstanding	Total P & I	Total Interest	Total Principal	% Paid	Calendar Year Ending
2022	11,177,000	498,876	179,876	319,000	2.77%	2022
2023	10,497,000	873,110	193,110	680,000	8.69%	2023
2024	9,861,000	817,375	181,375	636,000	14.22%	2024
2025	9,214,000	817,940	170,940	647,000	19.85%	2025
2026	8,557,000	816,951	159,951	657,000	25.57%	2026
2027	7,889,000	816,248	148,248	668,000	31.38%	2027
2028	7,211,000	813,955	135,955	678,000	37.27%	2028
2029	6,522,000	812,159	123,159	689,000	43.27%	2029
2030	5,817,000	816,230	111,230	705,000	49.40%	2030
2031	5,102,000	815,161	100,161	715,000	55.62%	2031
2032	4,641,000	552,093	91,093	461,000	59.63%	2032
2033	4,220,000	505,434	84,434	421,000	63.29%	2033
2034	3,792,000	505,695	77,695	428,000	67.01%	2034
2035	3,359,000	503,489	70,489	433,000	70.78%	2035
2036	2,915,000	506,776	62,776	444,000	74.64%	2036
2037	2,466,000	503,630	54,630	449,000	78.55%	2037
2038	2,006,000	505,948	45,948	460,000	82.55%	2038
2039	1,535,000	507,655	36,655	471,000	86.65%	2039
2040	1,058,000	503,989	26,989	477,000	90.80%	2040
2041	571,000	503,940	16,940	487,000	95.03%	2041
2042	73,000	504,454	6,454	498,000	99.36%	2042
2043	0	73,730	730	73,000	100.00%	2043
		13,574,836	2,078,836	11,496,000		

* Preliminary, subject to change.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Utility Revenue Portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2020/21 Assessor's Estimated Market Value	\$1,057,110,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 31,713,321
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(1,400,000)</u>
Unused Debt Limit	<u><u>\$ 30,313,321</u></u>

OVERLAPPING DEBT¹

Taxing District	2020/21 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Freeborn County	\$39,129,897	28.4088%	\$ 5,405,000	\$ 1,535,496
I.S.D. No. 241 (Albert Lea Area Schools)	20,605,684	53.9478%	37,429,043 ³	<u>20,192,145</u>
City's Share of Total Overlapping Debt				<u><u>\$21,727,641</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Currently, the State of Minnesota is paying approximately 13.4% of the principal and interest on the Albert Lea Area School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$5,015,492. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$1,186,802,872)	Debt/ Current Population Estimate (17,773)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes	\$17,620,000		
Tax Increment Revenues	175,000		
Taxes	1,400,000		
Utility Revenues*	<u>11,496,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$30,691,000		
Less: G.O. Debt Paid Entirely from Revenues ^{1*}	<u>(11,496,000)</u>		
Tax Supported General Obligation Debt*	\$19,195,000	1.62%	\$1,080.01
City's Share of Total Overlapping Debt ²	<u>\$21,727,641</u>	<u>1.83%</u>	<u>\$1,222.51</u>
Total*	<u><u>\$40,922,641</u></u>	<u><u>3.45%</u></u>	<u><u>\$2,302.52</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City plans to issue approximately \$3,000,000 in General Obligation Bonds for street and utility improvements in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$2,705,747, the City's net overlapping debt is \$19,021,894, which results in a net overlapping debt/market value ratio of 1.60% and net overlapping debt/current population estimate ratio of \$1,070.27.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2016/17	\$6,250,374	\$ 6,147,163	\$ 6,241,085	99.85%
2017/18	6,308,652	6,200,019	6,283,979	99.61%
2018/19	6,296,268	6,170,607	6,257,533	99.38%
2019/20	6,516,029	6,369,353	6,369,353	97.75%
2020/21	6,706,848	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through March 17, 2021.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2016/17	2017/18	2018/19	2019/20	2020/21
Freeborn County	55.084%	59.057%	59.697%	62.573%	63.737%
City of Albert Lea	63.087%	64.866%	61.908%	60.064%	60.337%
I.S.D. No. 241 (Albert Lea Area Schools)	25.241%	27.113%	27.372%	27.749%	27.344%
Shell Rock River Watershed	1.254%	2.137%	2.071%	2.020%	1.991%
Albert Lea HRA	1.103%	1.120%	1.069%	1.004%	0.981%

Referendum Market Value Rates:

I.S.D. No. 241 (Albert Lea Area Schools)	0.22388%	0.24347%	0.23892%	0.23476%	0.23199%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Freeborn County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1878. The City operates under a home rule charter form of government consisting of a seven-member City Council of which the Mayor is voting member. The City Manager and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 126 full-time, 26 part-time, and 3 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
International Association of Firefighters, Local 1041	December 31, 2021
International Association of Fire Captains, Local 1041A	December 31, 2021
Minnesota Public Employees Association (Police)	December 31, 2021
Minnesota Public Employees Association (Sergeants)	December 31, 2021
Minnesota Public Employees Association (Parks/Public Works)	December 31, 2021

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$1,159,128 as of December 31, 2020. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of June 30, 2021)

Fund	Total Cash and Investments
General	\$ 7,613,950
Special Revenue	1,755,834
Debt Service	4,700,841
Capital Projects	8,660,876
Enterprise Funds	14,312,572
Internal Service Funds	649,603
Total Funds on Hand	<u><u>\$37,693,676</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2018	2019	2020
Water			
Total Operating Revenues	\$ 3,120,669	\$ 3,321,001	\$ 3,491,601
Less: Operating Expenses	<u>(1,854,276)</u>	<u>(1,703,779)</u>	<u>(1,697,778)</u>
Operating Income	\$ 1,266,393	\$ 1,617,222	\$ 1,793,823
Plus: Depreciation	<u>312,845</u>	<u>345,719</u>	<u>365,073</u>
Revenues Available for Debt Service	<u><u>\$ 1,579,238</u></u>	<u><u>\$ 1,962,941</u></u>	<u><u>\$ 2,158,896</u></u>
Sewer			
Total Operating Revenues	\$ 4,213,234	\$ 4,450,023	\$ 4,446,636
Less: Operating Expenses	<u>(4,095,353)</u>	<u>(4,095,018)</u>	<u>(4,202,932)</u>
Operating Income	\$ 117,881	\$ 355,005	\$ 243,704
Plus: Depreciation	<u>1,221,160</u>	<u>1,227,845</u>	<u>1,233,820</u>
Revenues Available for Debt Service	<u><u>\$ 1,339,041</u></u>	<u><u>\$ 1,582,850</u></u>	<u><u>\$ 1,477,524</u></u>
Solid Waste			
Total Operating Revenues	\$ 143,682	\$ 160,506	\$ 174,967
Less: Operating Expenses	<u>(103,827)</u>	<u>(138,353)</u>	<u>(142,018)</u>
Operating Income	\$ 39,855	\$ 22,153	\$ 32,949
Plus: Depreciation	<u>775</u>	<u>774</u>	<u>775</u>
Revenues Available for Debt Service	<u><u>\$ 40,630</u></u>	<u><u>\$ 22,927</u></u>	<u><u>\$ 33,724</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2020 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget 1)
Revenues					
Property taxes	\$6,362,049	\$6,634,082	\$6,435,864	\$6,490,042	\$6,639,500
Fees, licenses and permits	296,467	328,177	311,538	294,938	271,500
Intergovernmental	6,128,503	6,292,795	6,298,190	7,380,019	6,556,635
Charges for services	781,710	966,777	1,089,711	823,701	1,070,900
Fines and forfeitures	100,315	85,626	103,588	64,988	102,000
Investment earnings	140,844	72,171	234,667	201,734	185,000
Special assessments	3,444	13,351	2,619	0	10,000
Miscellaneous	80,953	54,505	75,716	52,097	40,146
Total Revenues	\$13,894,285	\$14,447,484	\$14,551,893	\$15,307,519	\$14,875,681
Expenditures					
Current:					
General government	\$1,895,350	\$1,951,182	\$1,975,176	\$2,054,861	\$2,136,920
Public safety	6,067,966	6,235,514	6,299,194	6,520,243	7,146,456
Public works	2,434,299	2,830,263	2,794,264	2,638,245	2,908,935
Culture and recreation	3,208,385	3,313,585	3,432,269	2,845,543	3,632,870
Community development	227,829	204,508	215,369	113,875	122,500
Capital outlay	25,097	56,503	13,316	0	0
Debt service	14,510	13,875	15,156	14,931	0
Total Expenditures	\$13,873,436	\$14,605,430	\$14,744,744	\$14,187,698	\$15,947,681
Excess of revenues over (under) expenditures	\$20,849	(\$157,946)	(\$192,851)	\$1,119,821	(\$1,072,000)
Other Financing Sources (Uses)					
Operating transfers in	\$1,713,930	\$1,830,884	\$1,967,000	\$1,940,500	\$2,002,000
Operating transfers out	(4,439,347)	(2,221,000)	(971,000)	(1,765,000)	(930,000)
Total Other Financing Sources (Uses)	(\$2,725,417)	(\$390,116)	\$996,000	\$175,500	\$1,072,000
Net changes in Fund Balances	(\$2,704,568)	(\$548,062)	\$803,149	\$1,295,321	\$0
General Fund Balance January 1	12,834,900	10,130,332	9,582,270	10,385,419	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$10,130,332	\$9,582,270	\$10,385,419	\$11,680,740	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$1,731,572	\$1,702,641	\$1,671,527	\$1,695,073	
Unassigned	8,398,760	7,879,629	8,713,892	9,985,667	
Total	\$10,130,332	\$9,582,270	\$10,385,419	\$11,680,740	

1) The 2021 budget was adopted on December 14, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 18,016 and a current population estimate of 17,773, and comprising an area of 12.61 square miles, is located approximately 100 miles south of the Minneapolis/St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Mayo Clinic Health System- Albert Lea	Hospital	806
I.S.D. No. 241 (Albert Lea Area Schools)	Elementary and secondary education	628
Albert Lea Select Foods, Inc.	Meat processing	500
Lou-Rich Machine	Machine shop	384 ²
Freeborn County	County government and services	321
Cargill	Turkey, meat and chicken processing	320
St. John's Lutheran Home	Nursing home	300
Walmart Supercenter	Discount retail store	285
Hy-Vee	Grocers-retail	200
City of Albert Lea	Municipal government and services	155

Source: *Data Axle Reference Solutions, written and telephone survey (April 2021), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Includes the Lou-Rich Machine 310 employees, the Almco, Inc. 58 employees, and the Innovance 16 employees.

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	13	12	5	3	1
Valuation	\$2,995,000	\$3,845,500	\$1,509,212	\$1,061,645	\$286,966
<u>New Commercial/Industrial</u>					
No. of building permits	4	3	4	6	5
Valuation	\$5,579,202	\$976,934	\$1,613,415	\$16,574,037	\$20,974,445
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	577	582	636	573	83
Valuation	\$17,083,189	\$16,970,575	\$24,649,602	\$27,730,447	\$10,940,330

Source: The City.

¹ As of August 16, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	18,363
2010 U.S. Census population	18,016
2019 State Demographer's Estimate	17,773
Percent of Change 2000 - 2010	-1.89%

Income and Age Statistics

	The City	Freeborn County	State of Minnesota	United States
2019 per capita income	\$25,844	\$29,316	\$37,625	\$34,103
2019 median household income	\$47,508	\$53,631	\$71,306	\$62,843
2019 median family income	\$54,631	\$64,297	\$89,842	\$77,263
2019 median gross rent	\$687	\$681	\$977	\$1,062
2019 median value owner occupied units	\$97,100	\$113,800	\$223,900	\$217,500
2019 median age	42.6 yrs.	44.0 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
City % of 2019 per capita income	68.69%	75.78%
City % of 2019 median family income	60.81%	70.71%

Housing Statistics

	<u>The City</u>		Percent of Change
	2010	2019	
All Housing Units	8,142	8,410	3.29%

Source: 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Freeborn County	Freeborn County	State of Minnesota	
2017	15,565	3.6%	3.4%	
2018	15,612	3.2%	2.9%	
2019	15,612	3.5%	3.2%	
2020	15,484	5.2%	6.2%	
2021, July	15,294	3.7%	3.4%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2020

PREPARED BY:

FINANCE DEPARTMENT

Member GFOA of U.S. and Canada
Published June 15, 2021

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INTRODUCTORY SECTION

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020



221 East Clark Street
 Albert Lea, Minnesota 56007-2496
 507-377-4300

Honorable Mayor and
 Members of the City Council

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

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. BerganKDV, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Albert Lea's financial statements for the year ended December 31, 2020. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Albert Lea, incorporated in 1878, is located at the cross roads of interstate highways I-90 and I-35. It is a diversified regional industrial, agricultural, retail, medical, and tourism center. The community is historic by Minnesota standards including a downtown designated as a National Commercial Historic District, with approximately 115 buildings in the District. We are approximately 100 miles south of the Twin Cities and only ten miles from the Iowa border. We are referred to as the "land between the lakes" as we are surrounded by several beautiful lakes. Our city currently occupies over 13 square miles and serves a growing population of 18,165 (Minnesota State Demographer's Office Estimate, 2018). The City of Albert Lea is empowered to levy a property tax on both real and personal property located within its boundaries. These boundaries continue to increase through annexations as the City continues to develop.

The City of Albert Lea, a charter city since 1932, operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and six other members, all elected on a non-partisan basis. The Council appoints the manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three members elected every two years. The mayor is elected for a four-year term. The mayor is elected at large, and the members of the Council are elected by ward.

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

The Council is required to hold a Truth in Taxation meeting in early December of each year. Following this meeting, they are required to adopt a budget and certify their levy by December 28 of each year. This annual budget serves as the foundation for the City of Albert Lea's financial planning and control. The budget is prepared by fund, function (i.e. public works) and department (i.e. snow & ice removal). Department heads may transfer resources within a department as they see fit. Transfers between funds, however, need special approval from the Council.

Local Economy

Much of our local economy is based in agriculture, including food processing and renewable fuels, but is substantially more diversified compared to a few decades ago. In addition, the City's historic downtown has experienced revitalization and has become an economic hub for the community. The City proudly was accepted into the Main Street Program in 2019. Improvements to water quality and other community assets are also resulting in more tourism as evidenced by multi-year increases in revenues from a local option sales tax and lodging tax.

Other signs of economic growth are seen in the recent addition of Mercy Medical Center in the North Bridge Mall and the installation Skyflats apartments at the Skyline Mall, both with planned openings in 2021. More recently investors have purchased or leased buildings in an effort to convert them into new restaurants. The construction of a 48 unit apartment complex at the Blazing Start site and recent zoning change requests to allow for new adaptive uses is currently underway in 2021. In December of 2020 Vortex Cold Storage announced Albert Lea would be the site of their cold storage facility creating new jobs and the potential to bring in more agricultural based growth starting in 2022.

Long-term Financial Planning

In the past few years, the City has become proactive in its approach and has made changes in fund accounting, fund balance policies, and long-term planning (including a Financial Management Plan and Facilities Master Plan) that are resulting in stronger financial sustainability. The City has well-prepared itself for any possible reductions from the state or other revenue sources, which could potentially negatively impact the City's abilities to meet service demands. Due to strong long-term financial planning, the City has kept its operating tax levy relatively flat for nine consecutive years to which increases in tax revenues have come from increases in growth and value.

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the city maintain a balance between thirty and fifty percent of next year's expenditures. The City has always chosen to be conservative in the levels of assigned and unassigned fund balance it maintains and strives to be at a total forty-five percent of next year's expenditures in these categories. The City intends to continue that approach until it is once again maintaining fund balance levels in excess of the recommendation of the Office of the State Auditor. Included as part of the City's mission, vision and values is the value of integrity. The City will adhere to the highest standards of fiscal responsibility and ethical conduct in a manner that inspires public confidence and trust.

Major Initiatives

The City continued to upgrade its infrastructure through neighborhood improvement projects. Bridge Avenue was reconstructed in 2020 with the northern half being completed in 2021. The City received bonding from the state to address stormwater and flooding along HWY 65. This project will begin in 2022.

Staff are working with state regulators on a workable plan and schedule to improve the waste water treatment facility and reduce the amount of phosphorus in the Shell Rock River. This project is estimated

between \$50 and \$60 million dollars in construction. The new Fire Station was finished and operations were moved to the new facility in 2020.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Albert Lea for its comprehensive annual financial report for the year ended December 31, 2019. This is the thirty-seventh consecutive year (1983-2019) that the City of Albert Lea has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) that satisfies both generally accepted accounting principles and applicable legal requirements.

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

I express my sincere appreciation to all the members of the Finance Department who assisted and contributed to the preparation of this report. Credit is also due to the auditing firm of BerganKDV for their valuable contributions and advice. I would also like to thank the Mayor and City Council for their continued leadership and commitment to long-term financial planning and for supporting annual operations in a responsible and progressive manner.

Respectfully submitted,



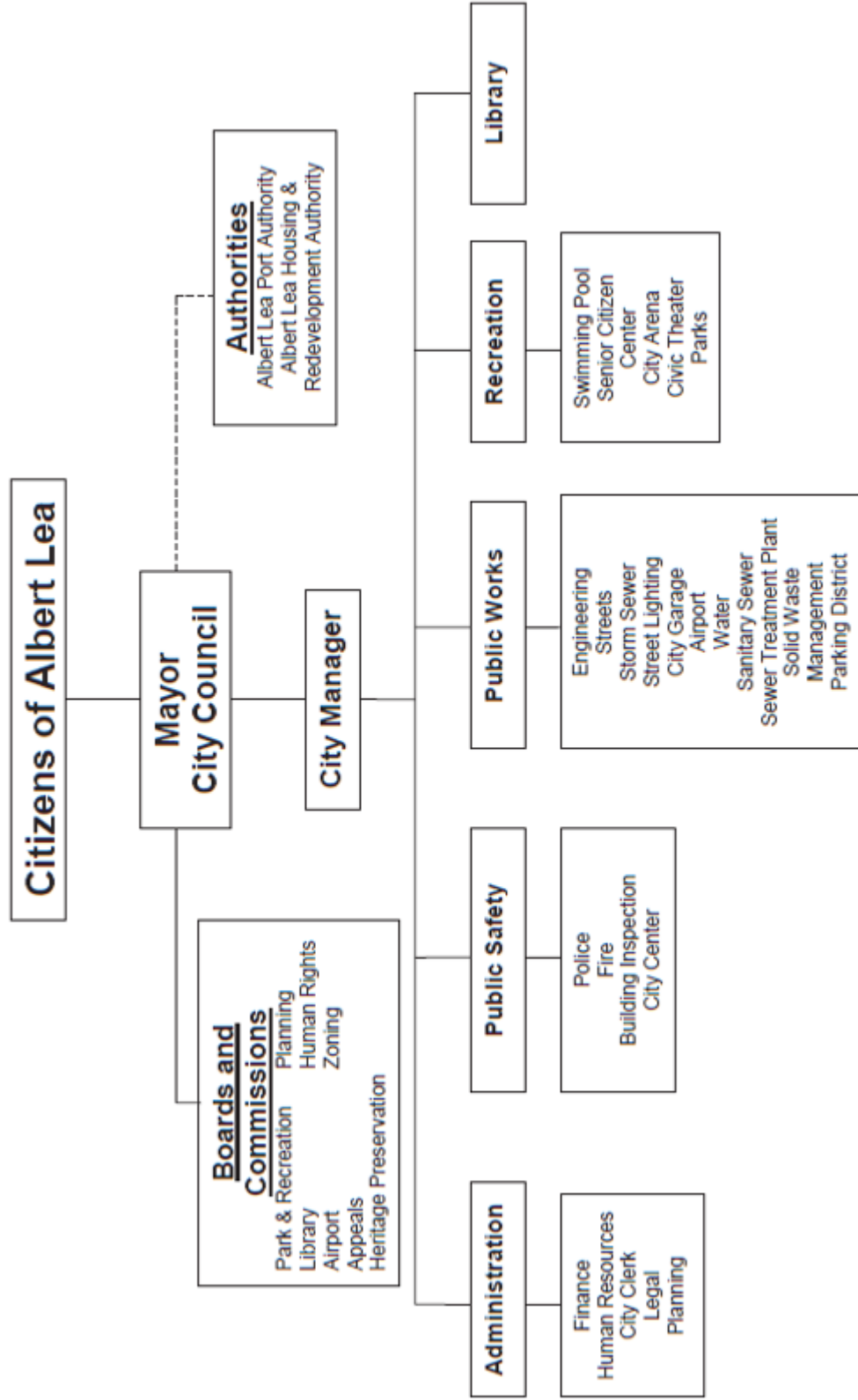
Patrick Ian Rigg
City Manager

**City of Albert Lea, Minnesota
Elected Officials and Administration
December 31, 2020**

Elected Officials	Position	Term Expires
Vern Rasmussen Jr.	Mayor	December 31, 2022
Rich Murray	Council Member - Ward 1	December 31, 2020
Larry Baker	Council Member - Ward 2	December 31, 2022
Jason Howland	Council Member - Ward 3	December 31, 2020
Reid Olson	Council Member - Ward 4	December 31, 2022
Robert Rasmussen	Council Member - Ward 5	December 31, 2020
Al Brooks	Council Member - Ward 6	December 31, 2022
Administration		
	Position	
Ian Rigg	City Manager	
Kristi Brutlag	Finance Director	
JD Carlsson	Director of Public Safety	
Peggy Havener	Library Director	
Steven Jahnke	Public Works Director/City Engineer	
Kelly Martinez	City Attorney	
Mike Zelenak	Human Resources Director	



Organization Chart City of Albert Lea, Minnesota





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Albert Lea
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill
Executive Director/CEO

FINANCIAL SECTION

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Albert Lea
Albert Lea, 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 Albert Lea, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We have also audited the Housing and Redevelopment Authority of the City of Albert Lea, which is a discretely presented component unit of the City, as of and for the year ended March 31, 2020. We did not audit the financial statements of the Port Authority of the City of Albert Lea, which is a discretely presented component unit of the City.

Management's Responsibility for the Financial Statements

The City of Albert Lea's 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 did not audit the financial statements of the Port Authority of the City of Albert Lea, which is a discretely presented component unit of the City. The financial statements of this entity was audited by other auditors whose report thereon has been furnished to us and our opinion, in so far as it relates to the amounts presented for this entity, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Auditor's Responsibility (Continued)

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, based on our audit and the reports of other auditors, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albert Lea, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Albert Lea's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2020, on our consideration of the City of Albert Lea's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Albert Lea's internal control over financial reporting and compliance.



Minneapolis, Minnesota
June 15, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The following chart shows how the various parts of this annual report are arranged and related to one another:

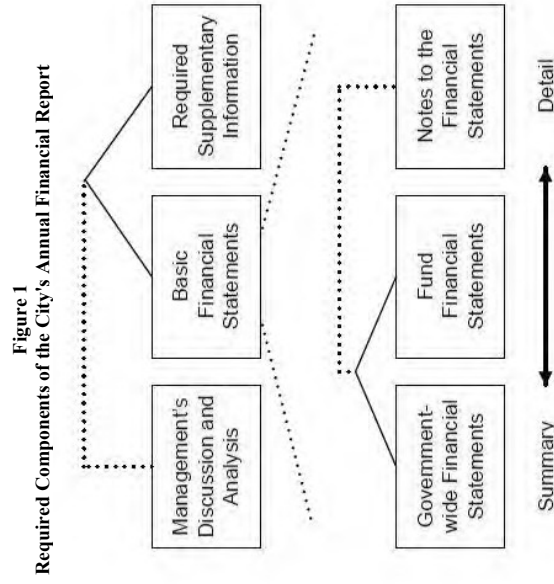


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

As management of the City of Albert Lea, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 3 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$148,135,485 (*net position*). Of this amount, \$23,601,548 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of business-type activities increased by \$357,195 and net position of the governmental activities increased by \$3,060,951. This resulted in a total net position increase of \$3,418,146 for the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,016,586, an increase of \$366,064 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$9,985,667. The City's policy is to maintain a minimum of 45% of the following year's budget in unassigned fund balance. At year end, the unassigned fund balance is 63% of the 2021 budgeted General fund expenditures and transfers, \$2,809,211 more than the required amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Port Authority and Housing and Redevelopment Authority (HRA) which are backed by the full faith and credit of the City of Albert Lea. Financial information for these *component units* are discretely presented for the primary government.

The government-wide financial statements start on page 34 of this report.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The City maintains several individual governmental funds, 12 of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Reserve, 2015 GO Bonds, TIF 5-13 Larson Manufacturing, TIF 5-15 Broadway Ridge Redevelopment, and 2020 CIP Projects, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* or *schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Airport, and Senior Center Funds. A budgetary comparison statement or schedule has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 38 of this report.

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management activities. *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 its insurance operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The basic proprietary funds financial statements start on page 46 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements start on page 53 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City of Albert Lea's share of net pension liabilities for defined benefit plans, schedule of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required Supplementary Information can be found starting on page 96 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 107 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 exceeded liabilities and deferred inflows by \$148,135,485 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (72.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Albert Lea
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Albert Lea's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 41,910,291	\$ 43,331,311	(1,421,020)	\$ 15,914,277	\$ 13,626,494	2,287,783
Capital assets	83,641,562	80,686,636	2,954,926	47,132,406	46,883,161	249,245
Total assets	125,551,853	124,017,947	1,533,906	63,046,683	60,509,655	2,537,028
Deferred Outflows of Resources						
Deferred OPEB resources	105,544	133,407	(27,863)	18,407	24,640	(6,233)
Deferred pension resources	2,223,058	3,476,201	(1,253,143)	86,017	89,740	(3,723)
Total deferred outflows of resources	2,328,602	3,609,608	(1,281,006)	104,424	114,380	(9,956)
Liabilities						
Other liabilities	3,067,300	4,265,708	(1,198,408)	411,726	471,270	(59,544)
Noncurrent liabilities	29,959,853	29,128,707	831,148	5,680,882	3,304,505	2,376,377
Total liabilities	33,027,153	33,394,415	(367,262)	6,092,608	3,775,775	2,316,833
Deferred Inflows of Resources						
Deferred OPEB resources	505,704	533,812	(28,108)	88,193	98,594	(10,401)
Deferred pension resources	3,128,543	5,544,226	(2,415,683)	54,374	190,429	(136,055)
Total deferred inflows of resources	3,634,247	6,078,038	(2,443,791)	142,567	289,023	(146,456)
Net Position						
Net investment in capital assets	62,676,110	59,788,439	2,887,671	44,674,279	44,963,435	(289,156)
Restricted	17,183,548	18,624,347	(1,440,799)	-	-	1,440,799
Unrestricted	11,339,295	9,745,316	1,614,079	12,242,153	11,595,802	646,351
Total net position	\$ 91,199,053	\$ 88,158,102	\$ 3,060,951	\$ 56,916,432	\$ 56,559,237	\$ 357,195

An additional portion of the City's net position (11.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (15.9%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased the City's net position by \$3,060,951, thereby accounting for percent of the growth in the net position of the City. Key elements of this change are as follows:

City of Albert Lea
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Albert Lea's Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program revenues	\$ 1,334,617	\$ 1,769,632	\$(435,015)	\$ 8,168,049	\$ 7,985,050	\$ 182,999
Changes for services and contributions	1,550,687	656,566	894,121	75,70	13,711	(6,141)
Capital grants and contributions	3,004,849	2,675,884	328,965	249,325	3,118,474	(2,869,149)
General revenues	6,616,537	6,285,386	331,151	-	-	-
Tax increments	386,348	367,775	18,573	-	-	-
Franchise taxes	1,657,164	1,730,997	(73,833)	-	-	-
State grants and contributions not restricted to specific programs	5,626,401	5415,747	210,654	-	-	-
Unrestricted investment earnings	614,346	1,009,666	(395,320)	337,761	485,109	(147,348)
Gain on disposal of capital assets	197,265	31,369	165,896	-	-	-
Total revenues	20,988,214	19,943,022	1,045,192	8,762,705	11,602,341	(2,839,639)
Expenses						
General government	2,409,652	2,466,797	(57,145)	-	-	-
Public safety	7,110,586	6,853,580	257,006	-	-	-
Public works	4,783,978	4,858,591	(74,613)	-	-	-
Culture and recreation	3,622,589	4,219,744	(597,155)	-	-	-
Airport	838,465	719,033	119,432	-	-	-
Community development	741,140	597,661	143,479	-	-	-
Interest on long-term debt	681,353	597,515	83,838	-	-	-
Water	-	-	-	1,769,325	1,746,635	22,690
Sewer	-	-	-	4,233,447	4,116,664	116,783
Solid waste	-	-	-	142,238	138,355	3,883
Total expenses	20,187,763	20,312,921	(125,158)	6,145,010	6,001,654	143,356
Increase in Net Assets before transfers	800,451	(369,899)	1,170,350	2,617,695	5,600,690	(2,982,995)
Transfers	2,260,500	2,187,000	73,500	(2,260,500)	(2,187,000)	(73,500)
Changes in Net Position	3,060,951	1,817,101	1,243,850	357,195	3,413,690	(3,056,495)
Net position, January 1	88,158,102	86,341,001	1,817,101	56,559,237	53,145,547	3,413,690
Net position, December 31	\$ 91,219,053	\$ 88,158,102	\$ 3,060,951	\$ 56,916,432	\$ 56,559,237	\$ 357,195

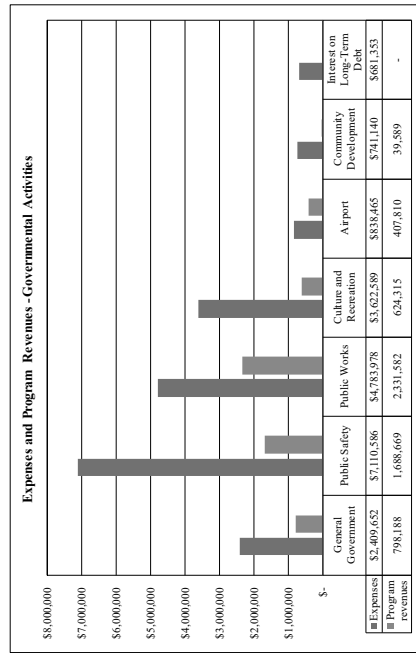
- Property taxes represent approximately 31.5% of total revenues in 2020 in governmental activities.
- The largest revenue variance was a \$894,121 increase in operating grants and contributions due to federal funding received through the Coronavirus Aid, Relief, and Economic Security Act.
- The largest expense variance was a decrease in the culture and recreation function as a result of the impact of the COVID-19 pandemic on operational expenditures during the year.

City of Albert Lea
Management's Discussion and Analysis

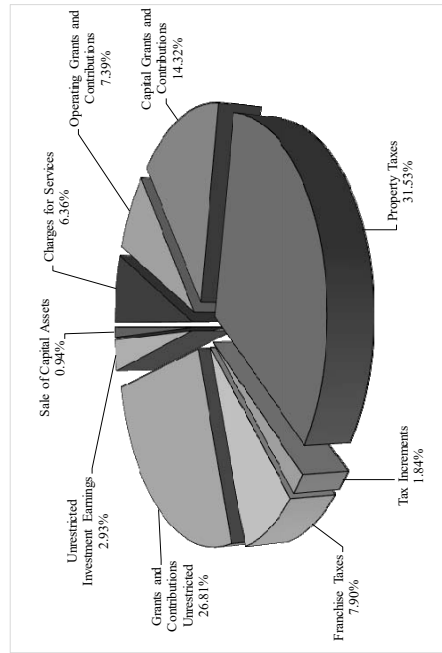
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

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



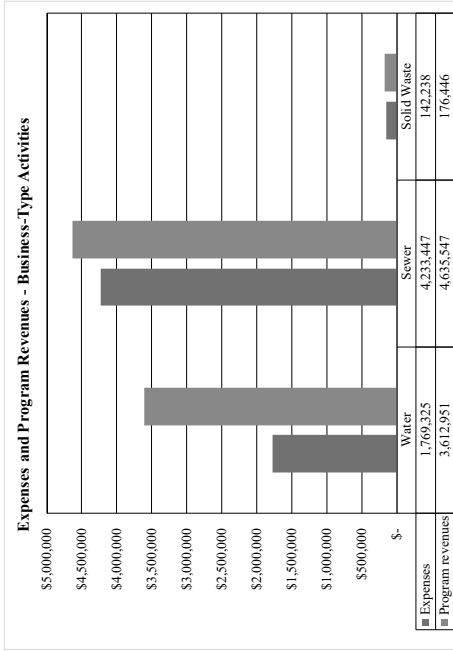
Revenues by Source - Governmental Activities



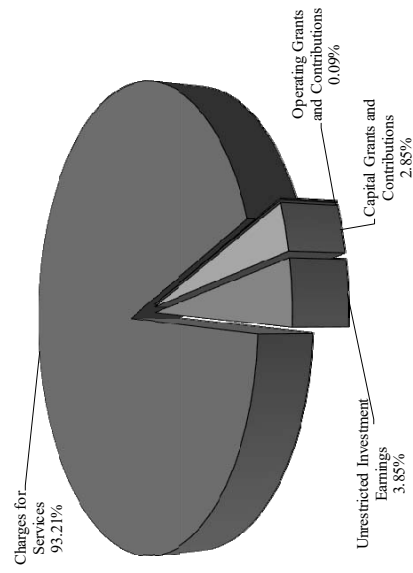
City of Albert Lea
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities. Business-type activities increased the City's net position by \$357,195 primarily due to the operating income of the Water Fund. Elements of the increase are as follows:



Revenues by Source - Business-Type Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,016,586, an increase of \$366,064 in comparison with the prior year. Approximately 24% of this total amount (\$6,893,607) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$22,122,979) is not available for new spending because it is either 1) nonspendable (\$1,695,073), 2) restricted (\$9,772,899), 3) committed (\$3,430,091), or 4) assigned (\$7,224,916) for the purposes described in the fund balance section of each balance sheet.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2020	2019	
General	\$ 11,680,740	\$ 10,385,419	\$ 1,295,321

The General Fund is the chief operating fund of the City. The General Fund had an increase in fund balance of \$1,295,321. The fund had net transfers of \$175,500 during the year, which contributed to the increase.

Debt Service Reserve
The Debt Service Reserve had a total fund balance of \$896,276. Fund balance decreased \$119,290 from 2019 due to transfers out to other debt service funds.

2015 G.O. Bonds
The 2015 G.O. Bonds Fund is a major debt service fund with a total fund balance of \$1,129,961, which increased \$66,229 from 2019. The increase in fund balance is mainly due to special assessment revenue and transfers in from other funds.

TIF 5-13 Larson Manufacturing
The TIF 5-13 Fund has a total fund balance deficit of \$1,348,931. The deficit is mostly due to expenditures being greater than tax increments collected from prior years. The deficit will be funded with future tax increment revenues.

TIF 5-15 Broadway Ridge Redevelopment
The TIF 5-15 Fund has a total fund balance deficit of \$1,418,620. The deficit is mostly due to expenditures being greater than tax increments collected from prior years. The deficit will be funded with future tax increment revenues.

2020 CIP Projects
The 2020 CIP Project Fund is a major capital project fund with a total fund deficit of \$71,210. Fund expenditures for construction projects exceeded revenues and bond proceeds received in 2020.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds (Continued)

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$12,889,028. The total increase in net position for the funds was \$374,880.

General Fund Budgetary Highlights

The City's General Fund budget was not amended during the year. The budget called for no change in fund balance. The General Fund had an actual increase of \$1,295,321 in 2020. Some of the larger variances are as follows:

- Revenues were over budget by \$490,851 with intergovernmental revenue being over budget by \$925,910. Charges for services and taxes were under budget by \$275,259 and \$190,411, respectively. Expenditures were under budget by \$1,604,470, primarily due to culture and recreation being under budget by \$793,341.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$130,773,968 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

- New fire station
- Water tower construction and rehabilitation
- Horseshoe slipplining
- Purchases of motor grader, wheel loader, tractor, and other vehicles
- Various street improvement projects
- Council chamber upgrades
- Purchase of chiller replacement

**City of Albert Lea's Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Land	\$ 6,660,088	\$ 6,660,088	\$ 300,463	\$ 300,463
Construction in progress	3,521,980	12,908,731	-	-
Buildings	18,356,120	7,220,815	9,386,751	4,661,358
Improvements other than buildings	48,919,852	47,713,142	(11,135,305)	17,457,928
Equipment	6,183,522	6,183,860	25,022,162	23,194,342
			338	1,288,870
Total	\$ 83,641,562	\$ 80,686,636	\$ (2,954,926)	\$ 46,883,161
				\$ (249,245)

**City of Albert Lea
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Additional information on the City's capital assets can be found in Note 7 starting on page 66 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$22,965,000. While all of the City's bonds have revenue streams, they are also all backed by the full faith and credit of the City.

City of Albert Lea's Outstanding Debt

	Governmental Activities		Business-Type Activities		Increase (Decrease)
	2020	2019	2020	2019	
PRI Assessment Bonds	\$ 19,655,000	\$ 19,670,000	\$ 15,000	\$ -	\$ -
Equipment certificate	555,000	700,000	145,000	150,000	35,000
Notes payable	148,769	163,700	14,931	-	-
Revenue Bonds	-	-	2,640,000	560,000	(2,080,000)
PFA Loans	-	-	1,162,783	1,214,286	51,503
Total	\$ 20,358,769	\$ 20,533,700	\$ 174,931	\$ 1,924,286	\$ (1,993,497)

The City's bond rating is AA- from Standards and Poor's. Additional information on the City's long-term debt can be found in Note 8 starting on page 69 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City approved a balanced budget for 2021.
- The City's General fund property tax levy for 2021 increased \$67,547 to \$4,826,000.
- The City updates annually a long-range financial plan to use as a tool for managing the City's tax levy, tax rate and debt load. Continue to evaluate the water and sewer rates to ensure sufficient cash for upcoming capital projects as well as reaching a sufficient fund balance.
- The City's net tax capacity increased 2.96% for the 2021 tax calculation. The tax rate for 2021 decreased .09% - from 60.064 to 60.008.
- The City is in a stable position with an unassigned fund balance in the General Fund of 63% of the 2021 budgeted expenses at the end of 2020.
- The City is expecting approximately \$2 million from the American Rescue Plan Act and is reviewing the options for the best use of the funds.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the finance department, City of Albert Lea, 221 East Clark Street, Albert Lea, Minnesota 56007.

**City of Albert Lea
Statement of Net Position
December 31, 2020**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port Authority	Housing Redevelopment Authority
Assets					
Cash and investments	\$ 27,644,883	\$ 13,405,870	\$ 41,050,753	\$ 1,513,324	\$ 818,245
Restricted cash	-	-	-	-	58,804
Taxes receivable	329,348	-	329,348	-	-
Accounts receivable	467,640	1,293,478	1,761,118	78,909	124,607
Interest receivable	43,268	-	43,268	1,170	-
Loans receivable	2,439,116	51,183	2,490,299	1,522,532	-
Contract for deed receivable	-	-	-	280,917	-
Special assessments receivable	7,899,823	1,618,970	9,518,793	-	-
Due from other governments	1,228,025	17,744	1,245,769	125,000	-
Due from primary government	-	-	-	1,360,664	-
Internal balances	626,422	(626,422)	-	-	-
Inventory	39,680	107,197	146,877	-	-
Property held for resale	-	-	-	4,300,680	-
Prepaid items	1,192,086	-	1,192,086	2,760	14,278
Patronage equity	-	46,257	46,257	2,178	-
Capital assets not being depreciated					
Land	6,660,088	300,463	6,960,551	262,933	177,998
Construction in progress	3,521,980	3,968,211	7,490,191	-	76,834
Capital assets being depreciated					
Buildings and structures	31,254,249	36,117,982	67,372,231	9,862,127	6,786,748
Improvements other than buildings	86,856,483	43,489,941	130,346,424	-	2,231,886
Equipment	16,688,170	4,186,508	20,874,678	-	398,199
Less accumulated depreciation	(61,339,408)	(40,930,699)	(102,270,107)	(5,187,549)	(7,037,438)
Total assets	<u>125,551,853</u>	<u>63,046,683</u>	<u>188,598,536</u>	<u>14,125,645</u>	<u>3,650,161</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to OPEB	105,544	18,407	123,951	-	-
Deferred outflows of resources related to pensions	2,223,058	86,017	2,309,075	-	-
Total deferred outflows of resources	<u>2,328,602</u>	<u>104,424</u>	<u>2,433,026</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 127,880,455</u>	<u>\$ 63,151,107</u>	<u>\$ 191,031,562</u>	<u>\$ 14,125,645</u>	<u>\$ 3,650,161</u>

**City of Albert Lea
Statement of Net Position
December 31, 2020**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port Authority	Housing Redevelopment Authority
Liabilities					
Accounts payable	\$ 639,217	\$ 151,272	\$ 790,489	\$ 17,856	\$ 5,838
Salaries and benefits payable	209,586	22,299	231,885	4,191	9,153
Deposits payable	54,743	10,000	64,743	-	36,511
Contracts payable	145,840	172,080	317,920	-	-
Due to other governments	386,148	18,290	404,438	12,871	58,919
Due to component unit	1,306,254	-	1,306,254	-	-
Unearned revenue	-	-	-	11,631	11,487
Other accrued liabilities	-	-	-	-	230
Interest payable					
Payable within one year	325,512	37,785	363,297	12,042	21
Payable after one year	-	-	-	10,000	-
Net bonds payable					
Payable within one year	2,885,000	230,000	3,115,000	-	-
Payable after one year	17,931,683	2,771,730	20,703,413	-	-
Loans/notes payable					
Payable within one year	15,000	55,000	70,000	-	-
Payable after one year	133,769	1,107,783	1,241,552	-	-
Notes and mortgages payable					
Payable within one year	-	-	-	175,012	2,118
Payable after one year	-	-	-	4,607,414	343,460
Compensated absences payable					
Payable within one year	736,730	118,860	855,590	-	11,859
Payable after one year	387,594	77,219	464,813	6,965	7,022
Net pension liability					
Payable after one year	6,883,082	1,147,660	8,030,742	-	-
Total OPEB liability					
Payable after one year	986,997	172,130	1,159,127	-	-
Total liabilities	<u>33,027,155</u>	<u>6,092,108</u>	<u>39,119,263</u>	<u>4,857,982</u>	<u>486,618</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to OPEB	505,704	88,193	593,897	-	-
Deferred inflows of resources related to pensions	3,128,543	54,374	3,182,917	-	-
Property taxes levied for subsequent years	-	-	-	-	81,750
Total deferred inflows of resources	<u>3,634,247</u>	<u>142,567</u>	<u>3,776,814</u>	<u>-</u>	<u>81,750</u>
Net Position					
Net investment in capital assets	62,676,110	44,674,279	107,350,389	1,667,617	2,288,649
Restricted for					
Fire and police operations	2,174,814	-	2,174,814	-	-
Capital improvements	180,955	-	180,955	-	-
Airport improvements	435,269	-	435,269	-	-
Economic development	865,448	-	865,448	-	-
Debt service	13,527,062	-	13,527,062	-	-
Public housing	-	-	-	-	22,104
Unrestricted	11,359,395	12,242,153	23,601,548	7,600,046	771,040
Total net position	<u>91,219,053</u>	<u>56,916,432</u>	<u>148,135,485</u>	<u>9,267,663</u>	<u>3,081,793</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 127,880,455</u>	<u>\$ 63,151,107</u>	<u>\$ 191,031,562</u>	<u>\$ 14,125,645</u>	<u>\$ 3,650,161</u>

**City of Albert Lea
Statement of Activities
Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,409,652	\$ 134,210	\$ 133,836	\$ 530,142
Public safety	7,110,586	551,141	1,132,106	5,422
Public works	4,783,978	253,635	284,745	1,793,202
Culture and recreation	3,622,589	318,690	-	305,625
Community development	741,140	39,589	-	-
Airport	838,465	37,352	-	370,458
Interest on long-term debt	681,353	-	-	-
Total governmental activities	<u>20,187,763</u>	<u>1,334,617</u>	<u>1,550,687</u>	<u>3,004,849</u>
Business-type activities				
Water	1,769,325	3,528,741	-	84,210
Sewer	4,233,447	4,462,862	7,570	165,115
Solid waste	142,238	176,446	-	-
Total business-type activities	<u>6,145,010</u>	<u>8,168,049</u>	<u>7,570</u>	<u>249,325</u>
Total primary governmental	<u>\$ 26,332,773</u>	<u>\$ 9,502,666</u>	<u>\$ 1,558,257</u>	<u>\$ 3,254,174</u>
Component Units				
Port Authority	1,059,223	935,083	75,168	-
Housing Redevelopment Authority	<u>1,832,658</u>	<u>613,780</u>	<u>1,194,662</u>	<u>76,834</u>
Total component units	<u>\$ 2,891,881</u>	<u>\$ 1,548,863</u>	<u>\$ 1,269,830</u>	<u>\$ 76,834</u>
General revenues				
Property taxes				
Franchise fees				
Tax increments				
Unrestricted investment income				
Grants and contributions not restricted to specific programs				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Port Authority	Housing Redevelopment Authority
\$ (1,611,464)	\$ -	\$ (1,611,464)	\$ -	\$ -
(5,421,917)	-	(5,421,917)	-	-
(2,452,396)	-	(2,452,396)	-	-
(2,998,274)	-	(2,998,274)	-	-
(701,551)	-	(701,551)	-	-
(430,655)	-	(430,655)	-	-
(681,353)	-	(681,353)	-	-
<u>(14,297,610)</u>	<u>-</u>	<u>(14,297,610)</u>	<u>-</u>	<u>-</u>
-	1,843,626	1,843,626	-	-
-	402,100	402,100	-	-
-	34,208	34,208	-	-
<u>-</u>	<u>2,279,934</u>	<u>2,279,934</u>	<u>-</u>	<u>-</u>
<u>(14,297,610)</u>	<u>2,279,934</u>	<u>(12,017,676)</u>	<u>-</u>	<u>-</u>
-	-	-	(48,972)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,618</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,972)</u>	<u>52,618</u>
6,616,537	-	6,616,537	-	-
1,657,164	-	1,657,164	-	-
386,348	-	386,348	-	-
614,346	337,761	952,107	27,944	7,673
5,626,401	-	5,626,401	-	-
197,265	-	197,265	-	-
2,260,500	(2,260,500)	-	-	-
<u>17,358,561</u>	<u>(1,922,739)</u>	<u>15,435,822</u>	<u>27,944</u>	<u>7,673</u>
3,060,951	357,195	3,418,146	(21,028)	60,291
<u>88,158,102</u>	<u>56,559,237</u>	<u>144,717,339</u>	<u>9,288,691</u>	<u>3,021,502</u>
<u>\$ 91,219,053</u>	<u>\$ 56,916,432</u>	<u>\$ 148,135,485</u>	<u>\$ 9,267,663</u>	<u>\$ 3,081,793</u>

City of Albert Lea
Balance Sheet - Governmental Funds
December 31, 2020

	Debt Service		
	General (101)	Debt Service Reserve (301)	2015 G.O. Bonds (312)
Assets			
Cash and investments	\$ 9,578,110	\$ 895,937	\$ 1,125,491
Taxes receivable	313,060	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	431,916	-	-
Interest receivable	39,335	-	-
Loans receivable	130,831	-	-
Special assessments receivable	250,411	1,746,694	1,828,095
Due from other funds	-	-	-
Due from other governments	106,674	-	-
Advances to other funds	1,462,307	-	-
Inventory	39,680	-	-
Prepaid items	193,086	-	-
	Total assets	\$ 2,642,631	\$ 2,953,586
Liabilities			
Accounts payable	\$ 301,078	\$ -	\$ -
Salaries and benefits payable	209,586	-	-
Deposits payable	20,993	-	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Due to other governments	90,442	-	-
Advances from other funds	-	-	-
Advances from component unit	-	-	-
	Total liabilities	-	-
Deferred Inflows of Resources			
Unavailable revenue - property taxes	235,840	-	-
Unavailable revenue - special assessments	6,731	1,746,355	1,823,625
	Total deferred inflows of resources	1,746,355	1,823,625
Fund Balances			
Nonspendable	1,695,073	-	-
Restricted	-	896,276	1,129,961
Committed	-	-	-
Assigned	-	-	-
Unassigned	9,985,667	-	-
	Total fund balances	896,276	1,129,961
	Total liabilities, deferred inflows of resources, and fund balances	\$ 2,642,631	\$ 2,953,586

Capital Projects				
TIF 5-13 Larson Manufacturing (422)	TIF 5-15 Broadway Ridge Redevelopment (423)	2020 CIP Projects (490)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 191,670	\$ 15,202,349	\$ 26,993,557
-	3,994	-	-	317,054
-	-	-	12,294	12,294
-	-	-	35,724	467,640
-	-	-	3,933	43,268
-	-	-	2,308,285	2,439,116
-	-	-	4,074,623	7,899,823
-	-	-	156,615	156,615
-	-	-	1,121,351	1,228,025
-	-	-	-	1,462,307
-	-	-	-	39,680
-	-	-	-	193,086
<u>\$ -</u>	<u>\$ 3,994</u>	<u>\$ 191,670</u>	<u>\$ 22,915,174</u>	<u>\$ 41,252,465</u>
\$ -	\$ -	\$ 5,429	\$ 315,713	\$ 622,220
-	-	-	-	209,586
-	-	-	33,750	54,743
-	-	115,840	30,000	145,840
-	-	-	156,615	156,615
-	-	141,611	154,095	386,148
42,677	1,419,630	-	20,453	1,482,760
1,306,254	-	-	-	1,306,254
<u>1,348,931</u>	<u>1,419,630</u>	<u>262,880</u>	<u>710,626</u>	<u>4,364,166</u>
-	2,984	-	-	238,824
-	-	-	4,056,178	7,632,889
-	2,984	-	4,056,178	7,871,713
-	-	-	-	1,695,073
-	-	-	7,746,662	9,772,899
-	-	-	3,430,091	3,430,091
-	-	-	7,224,916	7,224,916
(1,348,931)	(1,418,620)	(71,210)	(253,299)	6,893,607
<u>(1,348,931)</u>	<u>(1,418,620)</u>	<u>(71,210)</u>	<u>18,148,370</u>	<u>29,016,586</u>
<u>\$ -</u>	<u>\$ 3,994</u>	<u>\$ 191,670</u>	<u>\$ 22,915,174</u>	<u>\$ 41,252,465</u>

City of Albert Lea
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds	\$ 29,016,586
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	144,980,970
Less accumulated depreciation	(61,339,408)
Prepaid expenses which are expensed in the governmental funds are capitalized and amortized in the government-wide financial statements.	
	999,000
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:	
Bond principal payable	(20,210,000)
Unamortized bond premiums/discounts	(606,683)
Notes payable	(148,769)
Compensated absences payable	(1,124,324)
Total OPEB liability	(986,997)
Net pension liability	(6,883,082)
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	238,824
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	(3,128,543)
Deferred outflows of resources related to pensions	2,223,058
Deferred outflows of resources related to OPEB	105,544
Deferred inflows of resources related to OPEB	(505,704)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	7,632,889
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	(325,512)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental activities Statement of Net Position.	
	<u>1,281,204</u>
Total net position - governmental activities	<u><u>\$ 91,219,053</u></u>

City of Albert Lea
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	Debt Service		
	General (101)	Debt Service Reserve (301)	2015 G.O. Bonds (312)
Revenues			
Taxes	\$ 6,490,042	\$ -	\$ 23,904
Special assessments	-	148,667	297,970
Licenses and permits	294,938	-	-
Intergovernmental	7,380,019	-	-
Charges for services	823,701	-	-
Fines and forfeitures	64,988	-	-
Miscellaneous			
Investment income	201,734	30,181	21,412
Contributions and donations	4,575	-	-
Other	47,522	-	-
Total revenues	15,307,519	178,848	343,286
Expenditures			
Current			
General government	2,054,861	-	-
Public safety	6,520,243	-	-
Public works	2,638,245	-	-
Culture and recreation	2,845,543	-	-
Community development	113,875	-	-
Airport	-	-	-
Debt service			
Principal	14,931	-	365,000
Interest and other charges	-	917	112,057
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Airport	-	-	-
Total expenditures	14,187,698	917	477,057
Excess of revenues over (under) expenditures	1,119,821	177,931	(133,771)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	-	-
Issuance of debt	-	-	-
Bond premium	-	-	-
Transfers in	1,940,500	200,000	200,000
Transfers out	(1,765,000)	(497,221)	-
Total other financing sources (uses)	175,500	(297,221)	200,000
Net change in fund balances	1,295,321	(119,290)	66,229
Fund Balances			
Beginning of year	10,385,419	1,015,566	1,063,732
End of year	\$ 11,680,740	\$ 896,276	\$ 1,129,961

See notes to financial statements.

Capital Projects				
TIF 5-13 Larson Manufacturing (422)	TIF 5-15 Broadway Ridge Redevelopment (423)	2020 CIP Projects (490)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,005	\$ 42,239	\$ -	\$ 1,961,006	\$ 8,638,196
-	-	-	1,031,432	1,478,069
-	-	-	-	294,938
-	-	551,885	1,092,753	9,024,657
-	-	-	50,103	873,804
-	-	-	5,348	70,336
-	-	1,212	339,668	594,207
-	-	-	255	4,830
-	-	-	51,367	98,889
<u>121,005</u>	<u>42,239</u>	<u>553,097</u>	<u>4,531,932</u>	<u>21,077,926</u>
-	-	-	32,766	2,087,627
-	-	-	131,575	6,651,818
-	-	166,442	174,032	2,978,719
-	-	-	225,765	3,071,308
608	393	-	454,426	569,302
-	-	-	236,389	236,389
-	-	-	2,370,000	2,749,931
-	-	49,346	467,002	629,322
-	-	-	362,237	362,237
-	-	-	2,180,347	2,180,347
-	-	3,252,379	873,922	4,126,301
-	-	-	197,385	197,385
-	-	-	171,838	171,838
-	-	-	14,724	14,724
<u>608</u>	<u>393</u>	<u>3,468,167</u>	<u>7,892,408</u>	<u>26,027,248</u>
120,397	41,846	(2,915,070)	(3,360,476)	(4,949,322)
-	-	-	197,265	197,265
-	-	2,575,000	-	2,575,000
-	-	282,621	-	282,621
-	-	-	3,902,595	6,243,095
-	-	(13,761)	(1,706,613)	(3,982,595)
<u>-</u>	<u>-</u>	<u>2,843,860</u>	<u>2,393,247</u>	<u>5,315,386</u>
120,397	41,846	(71,210)	(967,229)	366,064
<u>(1,469,328)</u>	<u>(1,460,466)</u>	<u>-</u>	<u>19,115,599</u>	<u>28,650,522</u>
<u>\$ (1,348,931)</u>	<u>\$ (1,418,620)</u>	<u>\$ (71,210)</u>	<u>\$ 18,148,370</u>	<u>\$ 29,016,586</u>

City of Albert Lea
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended December 31, 2020

Total change in fund balances - governmental funds	\$ 366,064
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	6,985,939
Depreciation expense	(4,014,421)
Loss on disposal of capital assets	(16,592)
Prepaid expenses which are expensed in the governmental funds are capitalized and amortized in the government-wide financial statements.	
Amortization of prepaid lease	(27,000)
Some expenses are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
Compensated absences payable	9,426
Total other post employment benefits (OPEB) liability	(49,313)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	
Bond principal payments	2,735,000
Loan payments	14,931
Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
	(242,186)
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.	
	(87,466)
Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on the changes in net position in the Statement of Activities.	
	(2,575,000)
Governmental funds recognize 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.	
Pension expense	435,779
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of internal service funds are reported with governmental activities.	
	(37,560)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	21,853
Special assessments	(458,503)
Change in net position - governmental activities	<u>\$ 3,060,951</u>

See notes to financial statements.

City of Albert Lea
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,680,453	\$ 6,680,453	\$ 6,490,042	\$ (190,411)
Special assessments	11,000	11,000	-	(11,000)
Licenses and permits	274,650	274,650	294,938	20,288
Intergovernmental revenue	6,454,109	6,454,109	7,380,019	925,910
Charges for services	1,098,960	1,098,960	823,701	(275,259)
Fines and forfeitures	99,000	99,000	64,988	(34,012)
Miscellaneous revenues	198,496	198,496	253,831	55,335
Total revenues	<u>14,816,668</u>	<u>14,816,668</u>	<u>15,307,519</u>	<u>490,851</u>
Expenditures				
Current				
General government	2,391,350	2,391,350	2,054,861	(336,489)
Public safety	6,731,509	6,731,509	6,520,243	(211,266)
Public works	2,911,475	2,911,475	2,638,245	(273,230)
Culture and recreation	3,638,884	3,638,884	2,845,543	(793,341)
Community development	104,950	104,950	113,875	8,925
Debt service				
Principal	14,000	14,000	14,931	931
Total expenditures	<u>15,792,168</u>	<u>15,792,168</u>	<u>14,187,698</u>	<u>(1,604,470)</u>
Excess of revenues over (under) expenditures	(975,500)	(975,500)	1,119,821	2,095,321
Other Financing Sources (Uses)				
Transfers in	1,940,500	1,940,500	1,940,500	-
Transfers out	(965,000)	(965,000)	(1,765,000)	(800,000)
Total other financing sources (uses)	<u>975,500</u>	<u>975,500</u>	<u>175,500</u>	<u>(800,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,295,321	<u>\$ 1,295,321</u>
Fund Balances				
Beginning of year			<u>10,385,419</u>	
End of year			<u>\$ 11,680,740</u>	

City of Albert Lea
Statement of Net Position - Proprietary Funds
December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Solid Waste (603)	Total	
Assets					
Current assets					
Cash and investments	\$ 2,403,927	\$ 10,970,053	\$ 31,890	\$ 13,405,870	\$ 651,326
Accounts receivable	576,691	712,290	4,497	1,293,478	-
Special assessments receivable	504	90,469	-	90,973	-
Inventory	107,197	-	-	107,197	-
Total current assets	<u>3,088,319</u>	<u>11,790,451</u>	<u>36,492</u>	<u>14,915,262</u>	<u>651,326</u>
Noncurrent assets					
Advances to other funds	-	20,453	-	20,453	-
Special assessments receivable	668,210	859,787	-	1,527,997	-
Loans receivable	-	51,183	-	51,183	-
Patronage equity	-	44,904	1,353	46,257	-
Capital assets					
Land	73,500	146,892	80,071	300,463	-
Buildings and structures	3,082,494	33,002,488	33,000	36,117,982	-
Equipment	508,939	3,665,946	11,623	4,186,508	-
Improvements other than buildings	16,100,225	27,389,716	-	43,489,941	-
Construction in progress	1,552,418	2,415,793	-	3,968,211	-
Total capital assets	<u>21,317,576</u>	<u>66,620,835</u>	<u>124,694</u>	<u>88,063,105</u>	<u>-</u>
Less accumulated depreciation	<u>(7,808,854)</u>	<u>(33,085,317)</u>	<u>(36,528)</u>	<u>(40,930,699)</u>	<u>-</u>
Net capital assets	<u>13,508,722</u>	<u>33,535,518</u>	<u>88,166</u>	<u>47,132,406</u>	<u>-</u>
Total noncurrent assets	<u>14,176,932</u>	<u>34,511,845</u>	<u>89,519</u>	<u>48,778,296</u>	<u>-</u>
Total assets	<u>17,265,251</u>	<u>46,302,296</u>	<u>126,011</u>	<u>63,693,558</u>	<u>651,326</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to OPEB	5,545	12,862	-	18,407	-
Deferred outflows of resources related to pensions	29,918	54,603	1,496	86,017	-
Total deferred outflows of resources	<u>35,463</u>	<u>67,465</u>	<u>1,496</u>	<u>104,424</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 17,300,714</u>	<u>\$ 46,369,761</u>	<u>\$ 127,507</u>	<u>\$ 63,797,982</u>	<u>\$ 651,326</u>

City of Albert Lea
Statement of Net Position - Proprietary Funds
December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Solid Waste (603)	Total	
Liabilities					
Current liabilities					
Accounts payable	\$ 26,040	\$ 117,784	\$ 7,448	\$ 151,272	\$ 16,997
Contracts payable	50,735	121,345	-	172,080	-
Salaries and benefits payable	8,229	13,825	245	22,299	-
Deposits payable	10,000	-	-	10,000	-
Interest payable	24,414	13,371	-	37,785	-
Due to other governments	17,308	58	924	18,290	-
Notes payable due within one year	16,000	39,000	-	55,000	-
Bonds payable due within one year	230,000	-	-	230,000	-
Current compensated absences	41,915	76,945	-	118,860	-
Total current liabilities	<u>424,641</u>	<u>382,328</u>	<u>8,617</u>	<u>815,586</u>	<u>16,997</u>
Noncurrent liabilities					
Compensated absences	17,155	60,064	-	77,219	-
Notes payable	300,553	807,230	-	1,107,783	-
Bonds payable	1,784,159	987,571	-	2,771,730	-
Total OPEB liability	51,855	120,275	-	172,130	-
Net pension liability	399,169	728,526	19,965	1,147,660	-
Total noncurrent liabilities	<u>2,552,891</u>	<u>2,703,666</u>	<u>19,965</u>	<u>5,276,522</u>	<u>-</u>
Total liabilities	<u>2,977,532</u>	<u>3,085,994</u>	<u>28,582</u>	<u>6,092,108</u>	<u>16,997</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to OPEB	26,569	61,624	-	88,193	-
Deferred inflows of resources related to pensions	18,912	34,516	946	54,374	-
Total deferred inflows of resources	<u>45,481</u>	<u>96,140</u>	<u>946</u>	<u>142,567</u>	<u>-</u>
Net Position					
Net investment in capital assets	12,218,279	32,367,834	88,166	44,674,279	-
Unrestricted	2,059,422	10,819,793	9,813	12,889,028	634,329
Total net position	<u>14,277,701</u>	<u>43,187,627</u>	<u>97,979</u>	<u>57,563,307</u>	<u>634,329</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,300,714</u>	<u>\$ 46,369,761</u>	<u>\$ 127,507</u>	<u>\$ 63,797,982</u>	<u>\$ 651,326</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(646,875)</u>	
Net position of business-type activities				<u>\$ 56,916,432</u>	

City of Albert Lea
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Solid Waste (603)	Totals	
Operating Revenues					
Charges for services	\$ 3,491,601	\$ 4,446,636	\$ 174,967	\$ 8,113,204	\$ -
Miscellaneous	-	-	-	-	65,868
Total operating revenues	<u>3,491,601</u>	<u>4,446,636</u>	<u>174,967</u>	<u>8,113,204</u>	<u>65,868</u>
Operating Expenses					
Personnel services	677,357	1,232,589	26,744	1,936,690	-
Materials and supplies	326,600	277,919	2,563	607,082	-
Repairs and maintenance	33,872	255,665	7,464	297,001	-
Other services and charges	150,184	559,816	102,630	812,630	139,252
Utilities	144,692	628,552	1,842	775,086	-
Depreciation	365,073	1,233,820	775	1,599,668	-
Uniforms	-	14,571	-	14,571	-
Total operating expenses	<u>1,697,778</u>	<u>4,202,932</u>	<u>142,018</u>	<u>6,042,728</u>	<u>139,252</u>
Operating income (loss)	1,793,823	243,704	32,949	2,070,476	(73,384)
Nonoperating Revenues (Expenses)					
Investment income	27,632	308,514	1,615	337,761	20,139
Intergovernmental	-	7,570	-	7,570	3,000
Interest and other charges	(66,105)	(18,492)	-	(84,597)	-
Antenna lease revenue	37,140	-	-	37,140	-
Other income	-	16,226	1,479	17,705	-
Total nonoperating revenues	<u>(1,333)</u>	<u>313,818</u>	<u>3,094</u>	<u>315,579</u>	<u>23,139</u>
Income (loss) before capital contributions and transfers	1,792,490	557,522	36,043	2,386,055	(50,245)
Capital Contributions	84,210	165,115	-	249,325	-
Transfers out	<u>(918,250)</u>	<u>(1,276,250)</u>	<u>(66,000)</u>	<u>(2,260,500)</u>	<u>-</u>
Change in net position	958,450	(553,613)	(29,957)	374,880	(50,245)
Net Position					
Beginning of year	<u>13,319,251</u>	<u>43,741,240</u>	<u>127,936</u>	<u>57,188,427</u>	<u>684,574</u>
End of year	<u>\$ 14,277,701</u>	<u>\$ 43,187,627</u>	<u>\$ 97,979</u>	<u>\$ 57,563,307</u>	<u>\$ 634,329</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(17,685)</u>	
Change in net position of business-type activities				<u>\$ 357,195</u>	

City of Albert Lea
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Solid Waste (603)	Total	
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 3,455,319	\$ 4,386,550	\$ 171,050	\$ 8,012,919	\$ -
Payments to suppliers	(692,833)	(1,764,876)	(108,780)	(2,566,489)	(123,144)
Payments to employees	(696,987)	(1,259,979)	(28,056)	(1,985,022)	-
Miscellaneous revenue	-	16,226	1,479	17,705	-
Other operating receipts	-	-	-	-	65,868
Net cash flows					
- operating activities	<u>2,065,499</u>	<u>1,377,921</u>	<u>35,693</u>	<u>3,479,113</u>	<u>(57,276)</u>
Cash Flows - Noncapital					
Financing Activities					
Intergovernmental	-	7,570	-	7,570	3,000
Antenna lease revenue	37,140	-	-	37,140	-
Borrowing (payments) on interfund balances	-	4,141	-	4,141	-
Transfer to other funds	(918,250)	(1,276,250)	(66,000)	(2,260,500)	-
Net cash flows - noncapital financing activities	<u>(881,110)</u>	<u>(1,264,539)</u>	<u>(66,000)</u>	<u>(2,211,649)</u>	<u>3,000</u>
Cash Flows - Capital and Related					
Financing Activities					
Special assessments received	29,675	25,585	-	55,260	-
Connection charges collected	44,907	51,660	-	96,567	-
Principal paid on debt	(118,666)	(111,000)	-	(229,666)	-
Interest paid on debt	(50,942)	(8,267)	-	(59,209)	-
Proceeds from debt issuance	1,406,036	1,066,032	-	2,472,068	-
Intergovernmental	46,955	5,032	-	51,987	-
Acquisition of capital assets	(1,029,448)	(794,344)	-	(1,823,792)	-
Net cash flows					
- capital and related financing activities	<u>328,517</u>	<u>234,698</u>	<u>-</u>	<u>563,215</u>	<u>-</u>
Cash Flows - Investing Activities					
Loans	-	6,963	-	6,963	-
Interest and dividends received	27,632	346,838	1,710	376,180	20,139
Net cash flows					
- investing activities	<u>27,632</u>	<u>353,801</u>	<u>1,710</u>	<u>383,143</u>	<u>20,139</u>
Net change in cash and cash equivalents	1,540,538	701,881	(28,597)	2,213,822	(34,137)
Cash and Cash Equivalents					
January 1	<u>863,389</u>	<u>10,268,172</u>	<u>60,487</u>	<u>11,192,048</u>	<u>685,463</u>
December 31	<u>\$ 2,403,927</u>	<u>\$ 10,970,053</u>	<u>\$ 31,890</u>	<u>\$ 13,405,870</u>	<u>\$ 651,326</u>

See notes to financial statements.

City of Albert Lea
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Solid Waste (603)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ 1,793,823	\$ 243,704	\$ 32,949	\$ 2,070,476	\$ (73,384)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Other revenues	-	16,226	1,479	17,705	-
Depreciation expense	365,073	1,233,820	775	1,599,668	-
Net pension liability expense	(2,174)	16,008	(740)	13,094	-
Accounts receivable	(36,282)	(42,447)	(3,812)	(82,541)	-
Due from other governments	-	(17,639)	(105)	(17,744)	-
Inventory	4,627	-	-	4,627	-
Accounts payable	(58,820)	(16,473)	5,364	(69,929)	16,108
Deposits payable	(600)	-	-	(600)	-
Due to other governmental units	17,308	(11,880)	355	5,783	-
Salaries payable	(14,253)	(28,097)	(572)	(42,922)	-
OPEB expense	(277)	(4,904)	-	(5,181)	-
Compensated absences payable	(2,926)	(10,397)	-	(13,323)	-
Total adjustments	<u>271,676</u>	<u>1,134,217</u>	<u>2,744</u>	<u>1,408,637</u>	<u>16,108</u>
Net cash flows - operating activities	<u>\$ 2,065,499</u>	<u>\$ 1,377,921</u>	<u>\$ 35,693</u>	<u>\$ 3,479,113</u>	<u>\$ (57,276)</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities					
Amortization of bond discounts	\$ 2,385	\$ -	\$ -	\$ 2,385	\$ -

**City of Albert Lea
Statement of Fiduciary Net Position
December 31, 2020**

	<u>Sales Tax Custodial Fund</u>
Assets	
Taxes receivable	<u>\$ 290,128</u>
Liabilities	
Due to other governments	<u>\$ 290,128</u>

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020**

	<u>Sales Tax Custodial Fund</u>
Additions	
Sales tax deposits	<u>\$ 1,575,148</u>
Deductions	
Sales tax withdrawals	<u>1,575,148</u>
Net Position	
Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Albert Lea (the City) was incorporated by passage of an act by the Legislature of the State of Minnesota and ratified by an election of the voters of the City. The incorporation of the City was effective April 1, 1878, with the adoption of the first Charter. The area of the City on incorporation was 1.2 square miles and the first census of 1880 showed a population of 3,365. The Charter established a Mayor-City Council form of government. The governing body consists of six elected City Council members and a mayor. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager.

The financial statements present the City and its component units. The City includes all funds, account groups, 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. The accompanying financial statements present the City and its component units (The Port Authority of the City of Albert Lea and the Housing Redevelopment of the City of Albert Lea), entities for which the City is considered financially accountable.

Discretely Presented Component Unit

The Port Authority of the City is governed by seven commissioners who are appointed by the Albert Lea City Council. The City is considered financially accountable for the Port Authority because the City Council approves their annual budget. The Port Authority is governed by seven board members, two of which are City Council members and five are residents. It is this criterion that results in the Port Authority being reported as a discretely presented component unit. Separately issued financial statements for the year ended December 31, 2020, are available upon request from the City Manager of the City at 221 East Clark Street, Albert Lea, MN.

Discretely Presented Component Unit

The Housing and Redevelopment Authority (HRA) of the City is governed by seven board members, which are appointed by the City of Albert Lea's Mayor. The City is considered financially accountable for the HRA because the City Council approves their annual tax levy. There is a financial benefit and burden to the City and due to the nature and significance of its relationship results in the HRA being reported as a discretely presented component unit. The HRA has a year-end of March 31. Separately issued financial statements are available upon request from the City Manager of the City at 221 East Clark Street, Albert Lea, MN.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. 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 Custodial Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, the Fund is not incorporated into the government-wide statements.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Debt Service Reserve Debt Service Fund – This fund is established to account for the collection of ad valorem taxes; special assessments and tax increment revenue transfers for general long-term debt purposes.

2015 G.O. Bonds Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

TIF 5-13 Larson Manufacturing Capital Project Fund – This fund was established to account for tax increment financing activities relative to property acquisition public improvement, and site improvements to assist with development within the district.

TIF 5-15 Broadway Ridge Redevelopment Capital Project Fund – This fund was established to account for tax increment financing activities relative to property acquisition public improvement, and site improvements to assist with development within the district.

2020 CIP Projects Capital Project Fund – This fund was established to account for the capital project activity related to 2020 projects.

Proprietary Funds:

Water Fund – This fund accounts for the water service charges which are used to finance the water system operating expenses.

Sewer Fund – This fund accounts for the sewer service charges which are used to finance the sanitary sewer system operating expenses.

Solid Waste Fund – This fund accounts for the income and expenses in the operation of the transfer station at the landfill site.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds – These funds account for insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary Fund – This fund account for sales tax in a strictly custodial capacity.

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 of the City's Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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.

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.

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

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.

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

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

3. Inventory and 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.

Inventory is valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Property held for resale consists of property that the Port Authority component unit holds for resale. Properties held for resale are reported as an asset at the lower of cost or estimated fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all items previously accounted for. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Classification	Years
Buildings and structures	25-40
Improvements other than buildings	15-40
Machinery and equipment	5-20
Vehicles	3-20
Infrastructure	20-50
Land Improvements	5-60

5. 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 has two items that qualify for reporting in this category. The City presents deferred outflows of resources on the Statement 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. **Deferred Outflows/Inflows of Resources (Continued)**

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 three items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. 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 Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

6. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences.

7. **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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. **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.

9. **Patronage Equity**

The enterprise funds purchase electrical power from a cooperative which grants yearly patronage capital credit allocations to its customers. Capital credits represent the customer's share of ownership in the cooperative. They are held by the cooperative until retired by action of the cooperative's board of directors, at which time the customer will receive a capital credit refund check. Capital credit allocations are recognized in the year that they are received.

10. **Fund Balance**

In the fund financial statements, governmental funds report various levels of spending constraints.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaid items, inventory, and advances to other funds.
- **Restricted Fund Balances** – These are subject to externally enforceable legal restrictions.
- **Committed Fund Balances** – The government's highest level of decision making authority is the City Council. The formal action to establish or modify a commitment is made through resolution. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.
- **Assigned Fund Balances** – Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General Fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Manager.
- **Minimum Fund Balance Policy** – The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of 45% of budgeted operating expenditures for cash-flow timing needs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Fund Balance (Continued)

The City will spend restricted funds first for expenditures that meet the intended purpose before using unrestricted fund balance. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made for the purposes intended.

E. 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 accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principals 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following funds had fund balance deficits at December 31, 2020:

Fund	Amount
Major Capital Projects	
TIF 5-13 Larson Manufacturing	\$ 1,348,931
TIF 5-15 Broadway Ridge Redevelopment	1,418,620
2020 CIP Projects	71,210
Nonmajor Capital Projects	
TIF 5-25 Zumbro	20,453
TIF 5-26 Unique Opport	73,417
TIF 5-27 Marketplace	23,586
TIF 5-28 Vortex	13,080
2021 CIP Projects	122,763

The deficits will be funded with future transfers and tax increment revenue.

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 in the financial statements as "cash and investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2020, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized by federal depository insurance.

Discretely Presented Component Units

As of March 31, 2020, the HRA's bank balance of \$923,860 was not exposed to custodial credit risk because it was fully collateralized. The HRA's book balance of all deposits at March 31, 2020 totaled \$877,049.

At December 31, 2020, the Port Authority had \$1,513,324 of deposits, which were fully covered by federal depository insurance or collateral pledged by the various banks held in safekeeping of the United Bankers Bank in the Port Authority's name.

B. Investments

Investment Type	Credit Rating	Fair Value	Investment Maturities		
			Less than One Year	1-3 Years	Greater than 3 Years
Brokered certificates of deposit	N/A	\$ 1,753,227	\$ -	\$ 991,821	\$ 761,406
Government securities	A	9,964,393	1,500,000	2,135,550	6,328,842
U.S. treasury obligations	N/A	3,086,783	-	-	3,086,783
Money market accounts	N/A	26,243,816	26,243,816	-	-
Total		\$ 41,048,219	\$ 27,743,816	\$ 3,127,372	\$ 10,177,032

Concentration Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy states the City will diversify its investments by limiting investments to avoid over concentration in securities from a specific issuer, industry, or business sector, excluding U.S. Treasury obligations. As of December 31, 2020, the City had not invested 5% or more of its total investment portfolio in one single issuer.

Credit Risk: Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. U.S. treasury obligations are not considered to have credit risk. The City's investment policy states it will limit this risk by limiting investments to the types of securities permitted under *Minnesota Statutes* Chapter 118.A as well as by having city council approve the public depositories by resolution.

City of Albert Lea
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's investment policy states that they will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk – Investments: For an investment, this is the risk 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 it will limit this risk by maintaining a list of public depositories, financial institutions, and broker/dealers authorized to provide deposit and investment services.

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

- U.S. treasury obligations and government securities of \$13,051,176 are valued using quoted market prices (Level 1 inputs)
- Brokered certificates of deposit of \$1,753,227 are valued using a matrix pricing model (Level 2 inputs)

Summary of cash deposits and investments as of December 31, 2020, were as follows:

	Primary Government	Component Unit HRA	Component Unit Port Authority	Total
Deposits	\$ -	\$ 877,049	\$ 1,513,324	\$ 2,390,373
Investments	41,048,223	-	-	41,048,223
Petty cash	2,530	-	-	2,530
Total deposits and investments	\$ 41,050,753	\$ 877,049	\$ 1,513,324	\$ 43,441,126

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

	Primary Government	Component Unit HRA	Component Unit Port Authority	Total
Statement of Net Position				
Cash and investments	\$41,050,753	\$ 818,245	\$ 1,513,324	\$43,382,322
Restricted cash	-	58,804	-	58,804
Total deposits and investments	\$ 41,050,753	\$ 877,049	\$ 1,513,324	\$ 43,441,126

City of Albert Lea
Notes to Financial Statements

NOTE 4 – LOANS RECEIVABLE/CONTRACT FOR DEED

The City operates an economic revolving loan fund. The purpose of this fund is to issue loans that serve as gap financing to projects whose purpose it is to create economic development within the City. The funds that are available for these loans originated as grants from the state or federal government. The total balance of these loans at December 31, 2020, was \$2,490,299. The total balance has maturities of one to twenty years with interest ranging from 0 to 3%.

The City provided \$500,000 in financing to Pickkerel Park Association in February 2000. The term of the loan is for 30 years. The interest rate is 1% per annum deferred for 30 years to be paid in a lump sum along with the principal at the end of the loan term. The balance on this loan at December 31, 2020, is \$500,000. Accrued interest at December 31, 2020, is \$5,000.

The Port Authority provided \$1,078,893 in financing to a borrower in April 2018. The term of loan is for 25 years. There is no interest rate related to this loan. The balance of this loan at December 31, 2020, is \$1,012,532.

The Port Authority entered into a \$500,000 contract for deed on December 1, 2012, for an industrial building and land located at 2220 Myers Road. The contract for deed is to be repaid monthly at 5% interest beginning January 1, 2013. The contract for deed matures on December 1, 2027. The balance of this contract for deed is \$280,917 at December 31, 2020.

NOTE 5 – INTERFUND ASSETS/LIABILITIES

At December 31, 2020, interfund balances for the City were as follows:

	Receivable Fund	Payable Fund	Amount
Due from/to other funds			
Nonmajor Governmental Funds		Nonmajor Governmental Funds	\$ 156,615
Advance from/to other funds			
General Fund		TIF 5-13 Larson Manufacturing Fund	\$ 42,677
Sewer Disposal Fund		TIF 5-15 Broadway Ridge Redevelopment Fund	1,419,630
		Nonmajor Governmental Funds	20,453
			<u>\$ 1,482,760</u>

The General Fund made advances to several tax increment financing funds rather than have those funds issuing bonds. These advances will be repaid over time through increment from the tax levies.

The nonmajor governmental funds have interfund receivables for deficit cash balances.

City of Albert Lea
Notes to Financial Statements

NOTE 6 – INTERFUND TRANSFERS

Transfers during the year ended December 31, 2020, were as follows:

Transfers Out	Transfers In				Total
	General	Debt Service Reserve	2015 G.O. Bonds	Nonmajor Governmental Funds	
General	\$ -	\$ 200,000	\$ -	\$ 1,565,000	\$ 1,765,000
Debt Service Reserve	-	-	200,000	297,221	497,221
2020 CIP Projects	-	-	-	13,761	13,761
Nonmajor governmental funds	-	-	-	1,706,613	1,706,613
Water	808,250	-	-	110,000	918,250
Sewer	1,066,250	-	-	210,000	1,276,250
Solid Waste	66,000	-	-	-	66,000
Total	\$ 1,940,500	\$ 200,000	\$ 200,000	\$ 3,902,595	\$ 6,243,095

Throughout the course of the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. One time budgeted transfers were made to close completed projects and fund capital improvements.

City of Albert Lea
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,660,088	\$ -	\$ -	\$ 6,660,088
Construction in progress	12,908,731	5,691,511	15,078,262	3,521,980
Total capital assets not being depreciated	19,568,819	5,691,511	15,078,262	10,182,068
Capital assets being depreciated				
Buildings and structures	19,448,116	11,806,133	-	31,254,249
Improvements other than buildings	83,511,870	3,344,613	-	86,856,483
Equipment	15,887,478	1,221,944	421,252	16,688,170
Total capital assets being depreciated	118,847,464	16,372,690	421,252	134,798,902
Less accumulated depreciation for				
Buildings and structures	12,227,301	670,828	-	12,898,129
Improvements other than buildings	35,798,728	2,137,903	-	37,936,631
Equipment	9,703,618	1,205,690	404,660	10,504,648
Total accumulated depreciation	57,729,647	4,014,421	404,660	61,339,408
Total capital assets being depreciated, net	61,117,817	12,358,269	16,592	73,459,494
Governmental activities capital assets, net	\$ 80,686,636	\$ 18,049,780	\$ 15,094,854	\$ 83,641,562

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

Governmental activities	
General government	\$ 217,410
Public safety	520,036
Public works	2,087,796
Culture and recreation	595,179
Airport	594,000
Total depreciation expense - governmental activities	\$ 4,014,421

City of Albert Lea
Notes to Financial Statements

City of Albert Lea
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 300,463	\$ -	\$ -	\$ 300,463
Construction in progress	4,661,358	851,593	1,544,740	3,968,211
Total capital assets not being depreciated	4,961,821	851,593	1,544,740	4,268,674
Capital assets being depreciated				
Buildings and structures	36,117,982	-	-	36,117,982
Improvements other than buildings	41,078,633	2,411,308	-	43,489,941
Machinery and equipment	4,055,756	130,752	-	4,186,508
Total capital assets being depreciated	81,252,371	2,542,060	-	83,794,431
Less accumulated depreciation for				
Buildings and structures	18,680,054	781,475	-	19,461,529
Improvements other than buildings	17,884,091	583,688	-	18,467,779
Machinery and equipment	2,766,886	234,505	-	3,001,391
Total accumulated depreciation	39,331,031	1,599,668	-	40,930,699
Total capital assets being depreciated, net	41,921,340	942,392	-	42,863,732
Business-type activities capital assets, net	\$ 46,883,161	\$ 1,793,985	\$ 1,544,740	\$ 47,132,406

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

Business-type activities	
Water	\$ 365,073
Sewer	1,233,820
Solid Waste	775
Total depreciation expense - business-type activities	\$ 1,599,668

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 262,933	\$ -	\$ -	\$ 262,933
Capital assets being depreciated				
Buildings and structures	9,736,717	133,600	8,190	9,862,127
Less accumulated depreciation for Buildings and structures	4,903,504	284,045	-	5,187,549
Total capital assets being depreciated, net	4,833,213	(150,445)	(8,190)	4,674,578
Business-type activities capital assets, net	\$ 5,096,146	\$ (150,445)	\$ (8,190)	\$ 4,937,511

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

Business-type activities	
Port Authority	\$ 284,045

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NOTE 7 – CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 177,998	\$ -	\$ -	\$ 177,998
Construction in progress	58,147	76,835	58,148	76,834
Total capital assets not being depreciated	236,145	76,835	58,148	254,832
Capital assets being depreciated				
Buildings and structures	6,728,600	58,148	-	6,786,748
Improvements other than buildings	2,231,886	-	-	2,231,886
Machinery and equipment	398,199	-	-	398,199
Total capital assets being depreciated	9,358,685	58,148	-	9,416,833
Less accumulated depreciation for				
Buildings and structures	4,818,569	114,349	-	4,932,918
Improvements other than buildings	1,661,143	50,811	-	1,711,954
Machinery and equipment	391,051	1,715	-	392,766
Total accumulated depreciation	6,870,563	166,875	-	7,037,438
Total capital assets being depreciated, net	2,488,122	(108,727)	-	2,379,395
Business-type activities capital assets, net	\$ 2,724,267	\$ (31,892)	\$ 58,148	\$ 2,634,227

The beginning accumulated depreciation balance for HRA capital assets was allocated between asset type to more accurately reflect accumulated depreciation by asset type.

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

Business-type activities	
Housing and Redevelopment	\$ 166,875

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City.

B. Components of Long-Term Liabilities

Primary Government

Governmental activities	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year
Special Assessment Bonds					
G.O. Improvement Bonds, Series 2010A	07/15/10	3.125%-4.00%	\$ 3,260,000	02/01/26	\$ 730,000
G.O. Improvement Bonds, Series 2011A	06/01/11	2.25%-2.75%	970,000	02/01/22	130,000
G.O. Improvement Bonds, Series 2012A	07/01/12	1.10%-2.15%	2,315,000	02/01/23	560,000
G.O. Improvement Bonds, Series 2013A	09/18/13	2.00%-2.55%	5,335,000	02/01/24	2,205,000
G.O. Bonds, Series 2014B	09/09/14	2.00%-2.50%	3,700,000	02/01/25	1,700,000
G.O. Bonds, Series 2015A	07/16/15	3.00%-4.00%	4,445,000	02/01/21	2,940,000
G.O. Bonds, Series 2015A - TIF Portion	07/16/15	3.00%-4.00%	3,555,000	02/01/27	2,560,000
G.O. Bonds, Series 2016A	08/02/16	2.00%	3,210,000	02/01/27	2,555,000
G.O. Bonds, Series 2017A	08/17/17	3.00%	2,275,000	02/01/28	1,900,000
G.O. Bonds, Series 2018A	06/28/18	2.75%	2,450,000	02/01/28	2,220,000
G.O. Bonds, Series 2019A	08/15/19	3.00%-4.00%	2,380,000	02/01/30	2,380,000
G.O. Bonds, Series 2020A - Streets Portion	08/04/20	2.00%-3.00%	1,660,000	02/01/31	1,660,000
G.O. Bonds, Series 2020A - Bridge Ave Portion	08/04/20	2.00%-3.00%	915,000	02/01/31	915,000
Equipment Certificates					
G.O. Equipment Certificate, Series 2014A	01/16/14	1.15%-2.625%	970,000	02/01/23	370,000
G.O. Equipment Certificate, Series 2019A	08/15/19	4.00%	185,000	02/01/25	185,000
Subtotal bonds payable			185,000		202,010,000
Loan payable					
Albert Lea Township Fire Department	2017	0.00%	209,800	2030	148,769
Unamortized bond premium/discount payable					606,683
Compensated absences payable					1,124,324
Total governmental activities					22,089,776

Business-type activities

Revenue Bonds					
G.O. Water Revenue Bonds Series 2007B	07/01/07	4.25%-4.40%	1,040,000	02/01/23	260,000
G.O. Water Revenue Bonds Series 2010B	07/15/10	2.80%-3.25%	1,080,000	08/01/21	110,000
G.O. Water Revenue Bonds Series 2020A	08/04/20	2.00%-3.00%	1,380,000	02/01/31	1,380,000
G.O. Sewer Revenue Bonds Series 2020A	08/04/20	2.00%-3.00%	890,000	02/01/31	890,000
Equipment Certificates					
G.O. Equipment Certificate, Series 2014A	01/16/14	1.15%-2.625%	315,000	02/01/23	115,000
Subtotal bonds payable			315,000		2,755,000
Revenue Notes					
G.O. PFA Improvement and Sewer Revenue Note Series 2019A	02/26/19	1.00%	899,066	08/20/43	846,230
G.O. PFA Improvement and Water Revenue Note Series 2019B	02/26/19	1.00%	344,284	08/20/43	316,553
Subtotal notes payable			344,284		1,162,783
Unamortized bond premium/discount payable					246,730
Compensated absences payable					196,079
Total business-type activities					4,360,592
Total all long-term liabilities					\$ 26,450,368

City of Albert Lea
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

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

Discretely Presented Component Units

The HRA had the following notes and mortgages outstanding for the year ended March 31, 2020, that were issued to finance the purchase of rental property and will be repaid with revenue from the property.

Notes and mortgages	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year
MHFA PARIF Note	02/20/09	0.00%	\$ 120,000	02/20/39	\$ 120,000
USDA Rural Development Loan	02/20/09	4.00%	43,806	02/26/30	25,578
MHFA POHP Note	03/23/11	0.00%	200,000	03/23/31	200,000
Total notes and mortgages payable					345,578
Compensated absences					18,881
Total long-term liabilities					\$ 364,459

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The Port Authority received financing from a local lender for the construction of a spec building during 2017 and 2018 in the amount of \$3,524,465, at 4.6% interest, payable in equal installments of \$20,215 through June 2043. This loan also requires the Port Authority to meet certain covenants. As of December 31, 2020, the Port Authority obtained a waiver for noncompliance with financial covenants and 120-day financial reporting covenants.

City of Albert Lea
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 19,670,000	\$ 2,575,000	\$ (2,590,000)	\$ 19,655,000	\$ 2,735,000
G.O. bonds	365,647	282,621	(40,985)	607,283	-
Bond premiums	(1,150)	-	550	(600)	-
Bond discounts	700,000	-	(145,000)	555,000	150,000
G.O. equipment certificates	20,734,497	2,857,621	(2,775,435)	20,816,683	2,885,000
Total bonds payable					
Loans payable	163,700	-	(14,931)	148,769	15,000
Compensated absences payable	1,133,750	722,483	(731,909)	1,124,324	736,730
Governmental activities long-term liabilities	\$ 22,031,947	\$ 3,580,104	\$ (3,522,275)	\$ 22,089,776	\$ 3,636,730
Business-type activities					
Bonds payable	\$ 560,000	\$ 2,270,000	\$ (190,000)	\$ 2,640,000	\$ 195,000
G.O. revenue bonds	-	248,905	-	248,905	-
Bond premiums	(4,560)	-	2,385	(2,175)	-
Bond discounts	150,000	-	(35,000)	115,000	80,000
G.O. equipment certificates	705,440	2,518,905	(222,615)	3,001,730	275,000
Total bonds payable					
Notes payable	1,214,286	104,497	(156,000)	1,162,783	55,000
G.O. PFA notes	209,402	117,421	(130,744)	196,079	118,860
Compensated absences payable					
Business-type activities long-term liabilities	\$ 2,129,128	\$ 2,740,823	\$ (509,359)	\$ 4,360,592	\$ 448,860

The General Fund and Water and Sewer Funds typically liquidate the liability related to compensated absences.

In February of 2019, the City issued a \$1,141,297 G.O. Sewer Revenue Note and a \$466,767 G.O. Water Revenue Note through the Minnesota Public Facilities Authority. At December 31, 2020, the City had only drawn \$977,527 and \$370,320, respectively, on these Notes. The amortization schedule on the next page represents the entire Note liability. The remaining balance is expected to be drawn in 2021.

City of Albert Lea
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities (Continued)

Discretely Presented Component Units

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities	\$ 347,597	\$ -	\$ (2,019)	\$ 345,578	\$ 2,118
Notes and mortgages payable	17,259	18,093	(16,471)	18,881	11,859
Compensated absences payable					
Business-type activities long-term liabilities	\$ 364,856	\$ 18,093	\$ (18,490)	\$ 364,459	\$ 13,977

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities	\$ 4,447,278	\$ -	\$ (164,852)	\$ 4,282,426	\$ 175,011
Notes payable					
Obligation to return Pickeral Park loan principle to the City of Albert Lea	500,000	-	-	500,000	-
Compensated absences payable	6,965	-	-	6,965	-
Business-type activities long-term liabilities	\$ 4,954,243	\$ -	\$ (164,852)	\$ 4,789,391	\$ 175,011

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

Primary Government (Continued)

Year Ending December 31,	Governmental Activities		
	G.O. Bonds Principal	G.O. Equipment Certificates Interest	G.O. Equipment Certificates Principal
2021	\$ 2,735,000	\$ 480,368	\$ 150,000
2022	2,715,000	415,131	155,000
2023	2,725,000	345,264	170,000
2024	2,490,000	276,841	40,000
2025	1,975,000	219,775	40,000
2026-2030	6,065,000	496,875	-
2031-2035	830,000	76,919	-
2036	120,000	2,250	-
Total	\$ 19,655,000	\$ 2,313,423	\$ 555,000

City of Albert Lea
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Loan Payable Principal	Interest	G.O. Revenue Bonds Principal	Interest
2021	\$ 15,000	\$ -	\$ 195,000	\$ 75,570
2022	15,069	-	260,000	66,155
2023	15,000	-	295,000	56,605
2024	15,000	-	215,000	48,325
2025	15,000	-	220,000	41,800
2026-2030	73,699	-	1,195,000	106,400
2031	-	-	260,000	2,600
Total	\$ 148,768	\$ -	\$ 2,640,000	\$ 397,455

Year Ending December 31,	G.O. Equipment Certificates		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 35,000	\$ 2,426	\$ 55,000	\$ 12,887
2022	40,000	1,550	55,000	13,680
2023	40,000	525	56,000	13,130
2024	-	-	57,000	12,570
2025	-	-	58,000	12,000
2026-2030	-	-	296,000	51,240
2031-2035	-	-	311,000	63,130
2036-2040	-	-	329,000	20,220
2041-2043	-	-	206,000	4,130
Total	\$ 115,000	\$ 4,501	\$ 1,423,000	\$ 202,987

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Discretely Presented Component Units

Annual debt service requirements to maturity for the HRA notes and mortgages payable are as follows:

Year Ending March 31,	Business-Type Activities	
	Notes and Mortgages Payable Principal	Interest
2021	\$ 2,118	\$ 969
2022	2,204	882
2023	2,294	793
2024	2,387	699
2025	2,485	602
2026-2030	14,090	1,406
2031-2035	200,000	-
2036-2039	120,000	-
Total	\$ 345,578	\$ 5,351

Annual debt service requirements to maturity for the Port Authority notes payable are as follows:

Year Ending December 31,	Business-Type Activities	
	Notes Payable Principal	Interest
2021	\$ 175,011	\$ 203,927
2022	184,191	194,745
2023	193,857	185,080
2024	203,530	175,407
2025	214,727	164,211
2026-2030	1,517,649	423,547
2031-2035	761,676	247,742
2036-2040	961,302	251,598
2041-2043	570,483	34,937
Total	\$ 4,782,426	\$ 1,881,194

E. Operating Lease Obligations

The City entered into an agreement with Freeborn County on December 20, 2007, whereby the City made five annual payments of \$270,000 beginning in 2008 in exchange for a 50 year lease for their portion of the Government Center. This lease expires December 19, 2057.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)

The City entered into an agreement with Western Star Lodge #26, A.F. & A.M. of Minnesota on May 2, 1980, whereby Western Star Lodge sold to the City of Albert Lea their building in exchange for a 50 year lease on the third floor of the building for their exclusive use as compensation for the building. This lease expires April 30, 2030.

Discretely Component Unit (Port Authority) - Leases

The Port Authority leases a 60,000 square foot industrial building located at 2510 Y. H. Hanson Drive. The Port Authority receives \$135,000 annually for three years under the terms of a lease agreement. This lease will run through December 31, 2020.

The Port Authority leases the new industrial building located built by the Port Authority. The Port Authority receives \$24,000 per month per the terms of the lease agreement. This lease will run through February 28, 2023.

The Port Authority leases the northern 24,000 square feet of an industrial building located at 804 14th Street. The Port Authority receives \$104,700 annually as per the terms of the lease agreement which is June 1, 2012 through April 30, 2019. The Port Authority also leases the middle 24,000 square feet of an industrial building located at 2103 Myers Road. The Port Authority receives \$6,000 monthly per the terms of the lease agreement which expired on April 30, 2019. These leases were renewed for a 3-year period at terms of \$15,900 monthly through April 30, 2022.

The Port Authority leases parking space located at 2105 Myers Road. The Port Authority receives \$6,000 annually as per the terms of the current lease agreement which expires on December 31, 2022. The lease provides for an option to purchase this property following the expiration of the lease.

The Port Authority leases the south end of the building located at 2105 Myers Road. The Port Authority receives \$4,000 monthly as per the terms of the current lease agreement which is currently on a month to month basis.

The Port Authority leases 20,000 square feet of the building located at 590 E. 14th St. The Port Authority receives \$7,916 monthly as per the terms of the current lease agreement which is currently on a month to month basis after expiring in December 2020. The Port Authority leases square footage that varies month to month of the building located at 590 E. 14th St. The Port Authority receives monthly payments varying from \$2,969 to \$5,938, depending on the amount of square footage for the month, as per the terms of the current lease agreement which is currently on a month to month basis after expiring in January 2020.

The Port Authority leases 6,250 square feet of the building located at 590 E. 14th St. The Port Authority receives \$2,473 monthly as per the terms of the current lease agreement which is currently on a month to month basis.

City of Albert Lea
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NOTE 8 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)

Discretely Component Unit (Port Authority) – Leases (Continued)

These leases are accounted for as operating leases. Annual commitments on long-term leases are as follows:

Year Ending December 31,	Total
2021	\$ 527,400
2022	404,200
2023	342,600
2024	336,600
2025	336,600
Thereafter	1,396,800
Total	\$ 3,344,200

All capital assets in the Port Authority are available for lease at December 31, 2020. Total cost of these assets is \$10,125,060, with related accumulated depreciation of \$5,187,549.

NOTE 9 – FUND BALANCE

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	Major Funds			
	General Fund	Debt Service Reserve	2015 G.O. Bonds	Capital Project Funds TIF 5-13 Larson Manufacturing
Nonspendable				
Inventory	\$ 39,680	\$ -	\$ -	\$ -
Prepaid items	193,086	-	-	-
Advances to other funds	1,462,307	-	-	-
Total nonspendable	1,695,073	-	-	-
Restricted				
Fire and police operations	-	-	-	-
Capital improvements	-	-	-	-
Airport improvements	-	-	-	-
Economic development	-	-	-	-
Debt service	-	896,276	1,129,961	-
Total restricted	-	896,276	1,129,961	-
Committed				
Community development	-	-	-	-
Senior Center	-	-	-	-
Economic development	-	-	-	-
Total committed	-	-	-	-
Assigned				
Capital improvements	-	-	-	-
Building maintenance	-	-	-	-
Total assigned	-	-	-	-
Unassigned	9,985,667	-	-	(1,348,931)
Total fund balances	\$ 11,680,740	\$ 896,276	\$ 1,129,961	\$ (1,348,931)

City of Albert Lea
Notes to Financial Statements

NOTE 9 – FUND BALANCE (CONTINUED)

	Capital Project Funds		Nonmajor Governmental Funds	Total
	TIF 5-15 Broadway Ridge Redevelopment	2020 CIP Projects		
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ 39,680
Prepaid items	-	-	-	193,086
Advances to other funds	-	-	-	1,462,307
Total nonspendable	-	-	-	1,695,073
Restricted				
Fire and police operations	-	-	2,174,814	2,174,814
Capital improvements	-	-	123,987	123,987
Airport improvements	-	-	435,269	435,269
Economic development	-	-	812,415	812,415
Debt service	-	-	4,200,177	6,226,414
Total restricted	-	-	7,746,662	9,772,899
Committed				
Community development	-	-	1,439,830	1,439,830
Senior Center	-	-	159,120	159,120
Economic Development	-	-	1,831,141	1,831,141
Total committed	-	-	3,430,091	3,430,091
Assigned				
Capital improvements	-	-	6,458,581	6,458,581
Building maintenance	-	-	766,335	766,335
Total assigned	-	-	7,224,916	7,224,916
Unassigned	(1,418,620)	(71,210)	(253,299)	6,893,607
Total fund balances	\$ (1,418,620)	\$ (71,210)	\$ 18,148,370	\$ 29,016,586

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.

City of Albert Lea
Notes to Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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

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

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2020, was \$621,822. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, and Solid Waste 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.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was 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.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 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, 2020, were \$372,232. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$606,657. 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, 2020, the City reported a liability of \$4,358,697 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$134,511. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0727% at the end of the measurement period and 0.0729% for the beginning of the period.

City's proportionate share of the net pension liability \$ 4,358,697

State of Minnesota's proportionate share of the net pension liability associated with the City 134,511

Total

\$ 4,493,208

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$187,060 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$11,707 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,866	\$ 16,492
Changes in actuarial assumptions	-	162,303
Net collective difference between projected and actual investment earnings	75,165	-
Changes in proportion	25,536	27,708
Contributions paid to PERA subsequent to the measurement date	186,116	-
Total	<u>\$ 326,683</u>	<u>\$ 206,503</u>

The \$186,116 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (233,789)
2022	(17,576)
2023	80,121
2024	105,308
Total	<u>\$ (65,936)</u>

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$3,672,045 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.2805% at the end of the measurement period and 0.2976% for the beginning of the period.

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

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$432,893 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$26,797 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$87,099 for the year ended December 31, 2020, 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.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 167,594	\$ 192,164
Changes in actuarial assumptions	1,356,096	2,413,394
Net collective difference between projected and actual investment earnings	92,129	-
Changes in proportion	63,244	370,856
Contributions paid to PERA subsequent to the measurement date	303,329	-
Total	<u>\$ 1,982,392</u>	<u>\$ 2,976,414</u>

The \$303,329 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (354,707)
2022	(1,194,278)
2023	133,875
2024	145,497
2025	(27,738)
Total	<u>\$ (1,297,351)</u>

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

	General Employees Fund		Police and Fire Fund	
	2.25 %	Per Year	2.50 %	Per Year
Inflation	3.00 %	Per Year	3.25 %	Per Year
Salary increase	7.50 %	Per Year	7.50 %	Per Year
Investment rate of return				

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disablitants 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
 - The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
 - The assumed spouse age difference was changed from two years older for females to one year older.
 - The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Changes in Plan Provisions:
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.
- 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 table on the following page:

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that 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%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 6,985,480	\$ 4,358,697	\$ 2,191,813
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 7,343,986	\$ 3,672,045	\$ 634,157

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll	
Employer	Employee	Employer	Employee
\$ 1,869	\$ 1,869	5%	5%

NOTE 12 – BUDGETARY INFORMATION

The City prepares a budget for the General Fund, Airport Fund, and Senior Center Fund on the modified accrual basis of accounting. Annual appropriated budgets are adopted for these funds only. Any modification in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Budgets are not prepared for the Fire Pension or Police Pension fund since they are not legally required to prepare them.

On or before July 1 of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be presented. The budget is prepared for the General fund by function and activity and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at their last meeting in August. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues as estimated by the City Manager. The City Council must adopt the annual budget by December 28 of each year. Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were no budget amendments in 2020.

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. No assets are accumulated in a trust.

B. Benefits Provided

The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members.

C. Contributions

The City of Albert Lea does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per-person premium for the entire group, the difference gives rise to an implicit rate subsidy. The City pays the difference between the actual and apparent cost. The General Fund typically has been used to liquidate the other postemployment benefit obligation in prior years. For the year 2020, the City contributed \$18,082 to the plan.

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of December 31, 2018, the following were covered by the benefit terms:

Active employees electing coverage	119
Actives waiving coverage	8
Retirees electing coverage	<u>2</u>
Total	<u><u>129</u></u>

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, 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

Discount rate	2.75%
Salary increases	N/A
Inflation	2.50%
Healthcare cost trend increases	6.4% for FY2019, gradually decreasing over several decades to an ultimate rate of 4.0% in FY2075 and later years.
Mortality assumption	Based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments, for General Employees and for Police and Fire.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

The discount rate used to measure the total OPEB liability was 2.75% based on 20-year municipal bond rates.

F. Total OPEB Liability

The City's total OPEB liability of \$1,110,582 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

Balances at December 31, 2019	<u>\$ 1,110,583</u>
Changes for the year	
Service cost	80,605
Interest	43,858
Differences between expected and actual experience	(2,838)
Changes of assumptions	(54,999)
Benefit payments	<u>(18,082)</u>
Net changes	48,544
Balances at December 31, 2020	<u><u>\$ 1,159,127</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71% in 2019 to 2.75% in 2020.

The General Fund, Water Fund, and Sewer Fund typically liquidate the liability related to OPEB.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.75% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	Total OPEB Liability	
1% decrease	Current	1% increase
1.75%	2.75%	3.75%
\$ 1,276,509	\$ 1,159,127	\$ 1,053,381

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.

	Total OPEB Liability	
1% decrease	Current	1% increase
(5.4% decreasing to 3.0%)	(6.4% decreasing to 4.0%)	(7.4% decreasing to 5.0%)
\$ 1,009,105	\$ 1,159,127	\$ 1,336,860

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$50,036. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ -	\$ 545,696
Changes of assumptions	105,869	48,201
Contributions between measurement date and reporting date	18,082	-
Total	\$ 123,951	\$ 593,897

The \$18,082 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending December 31,	Total
2021	\$ (74,428)
2022	(74,428)
2023	(74,428)
2024	(74,428)
2025	(86,282)
Thereafter	(104,034)
Total	\$ (488,028)

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The City has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2020, outstanding commitments for these multi-year projects total approximately \$464,428.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Port Authority receives financial assistance from federal and state governmental agencies in the form of grants and loans. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. In 2020, management of the Port Authority recorded a liability to acknowledge an obligation to repay the City of Albert Lea the principal amount of a loan receivable from a housing entity.

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, 2020, cannot be determined at this time.

NOTE 16 – 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, 2022.

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, 2021.

**City of Albert Lea
Schedule of Changes in Total OPEB Liability
and Related Ratios**

	December 31, 2018	December 31, 2019	December 31, 2020
Total OPEB Liability			
Service cost	\$ 72,138	\$ 83,830	\$ 80,605
Interest	57,640	57,253	43,858
Differences between expected and actual experience	-	(721,604)	(2,838)
Changes of assumptions	103,810	60,353	(94,999)
Benefit payments	(26,610)	(30,260)	(18,082)
Net change in total OPEB liability	<u>206,978</u>	<u>(550,428)</u>	<u>48,544</u>
Beginning of year	1,454,032	1,661,010	1,110,583
End of year	<u>\$ 1,661,010</u>	<u>\$ 1,110,582</u>	<u>\$ 1,159,127</u>
Covered payroll	\$ 7,792,837	\$ 7,933,089	\$ 8,378,237
Net OPEB liability as a percentage of covered payroll	21.31%	14.00%	13.83%

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

REQUIRED SUPPLEMENTARY INFORMATION

See notes to required supplementary information.

**City of Albert Lea
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 State's Proportionate Share of the Net Pension Liability Associated with the City	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	0.0785%	\$ 4,068,278	\$ -	\$ 4,068,278	\$ 5,031,160	80.86%
2016	0.0727%	5,902,880	23,003	5,925,883	4,508,507	130.93%
2017	0.0720%	4,596,432	57,791	4,654,223	4,641,964	99.02%
2018	0.0736%	4,083,026	31,226	4,114,252	4,943,653	82.59%
2019	0.0729%	4,030,478	125,161	4,155,639	5,157,320	78.15%
2020	0.0727%	4,358,697	87,099	4,445,796	5,185,307	84.06%

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 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 State's Proportionate Share of the Net Pension Liability Associated with the City	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	0.3120%	\$ 3,545,050	\$ -	\$ 3,545,050	\$ 2,851,421	124.33%
2016	0.3070%	12,320,444	-	12,320,444	2,961,198	416.06%
2017	0.2940%	3,969,350	-	3,969,350	3,022,082	131.34%
2018	0.2887%	3,051,262	-	3,051,262	3,042,562	100.29%
2019	0.2976%	3,128,077	-	3,128,077	3,070,159	101.89%
2020	0.2805%	3,672,045	87,099	3,759,144	3,098,034	118.53%

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

**City of Albert Lea
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	\$ 376,725	\$ 376,725	\$ -	\$ 5,023,000	7.50%
2016	396,870	396,870	-	5,291,600	7.50%
2017	390,596	390,596	-	5,207,947	7.50%
2018	378,743	378,743	-	5,049,907	7.50%
2019	397,432	397,432	-	5,299,093	7.50%
2020	372,232	372,232	-	4,963,093	7.50%

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	\$ 483,547	\$ 483,547	\$ -	\$ 2,984,858	16.20%
2016	547,054	547,054	-	3,376,877	16.20%
2017	583,424	583,424	-	3,601,383	16.20%
2018	495,809	495,809	-	3,060,549	16.20%
2019	540,883	540,883	-	3,191,050	16.95%
2020	606,657	606,657	-	3,427,441	17.70%

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

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes (Continued)

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.
- 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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

GENERAL EMPLOYEES FUND (CONTINUED)

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.

POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

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.

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.

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

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

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.
- 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%.

POST EMPLOYMENT HEALTH CARE PLAN

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality, withdrawal, retirement, and salary increase rates were updated to the rates used in the July 1, 2018, PERA General Employees Retirement Plan and July 1, 2018, PERA Police and Fire Plan actuarial valuations.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offers.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- Explicit subsidy active contribution rates were updated for current levels.

City of Albert Lea
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2020

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 3,811,547	\$ 7,218,364	\$ 4,172,438	\$ 15,202,349
Taxes receivable - delinquent	-	-	12,294	12,294
Accounts receivable	1,705	34,019	-	35,724
Interest receivable	3,933	-	-	3,933
Loans receivable	2,308,285	-	-	2,308,285
Special assessment receivable	-	-	4,074,623	4,074,623
Due from other funds	-	156,615	-	156,615
Due from other governments	1,113,859	7,492	-	1,121,351
Total assets	<u>\$ 7,239,329</u>	<u>\$ 7,416,490</u>	<u>\$ 8,259,355</u>	<u>\$ 22,915,174</u>
Liabilities				
Accounts payable	\$ 198,094	\$ 114,619	\$ 3,000	\$ 315,713
Deposits payable	5,000	28,750	-	33,750
Contracts payable	30,000	-	-	30,000
Due to other funds	-	156,615	-	156,615
Due to other governments	153,646	449	-	154,095
Advances from other funds	-	20,453	-	20,453
Total liabilities	<u>\$ 386,740</u>	<u>\$ 320,886</u>	<u>\$ 3,000</u>	<u>\$ 710,626</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	4,056,178	4,056,178
Fund Balances				
Restricted	3,422,498	123,987	4,200,177	7,746,662
Committed	3,430,091	-	-	3,430,091
Assigned	-	7,224,916	-	7,224,916
Unassigned	-	(253,299)	-	(253,299)
Total fund balances	<u>6,852,589</u>	<u>7,095,604</u>	<u>4,200,177</u>	<u>18,148,370</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,239,329</u>	<u>\$ 7,416,490</u>	<u>\$ 8,259,355</u>	<u>\$ 22,915,174</u>

**COMBINING AND INDIVIDUAL FUND
 FINANCIAL STATEMENTS AND SCHEDULES**

City of Albert Lea
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

City of Albert Lea
Governmental Funds

Nonmajor Special Revenue Funds
Special revenue funds are established to account for specific revenue or other sources that are designated for financing particular functions or activities as required by deferral regulations, *Minnesota Statute*, City charter provisions, local ordinances, or specific grant agreements. Most of the special revenue funds are related to specific federal and state housing programs or grants for specific activities.

Nonmajor Capital Projects Funds
Capital project funds are established to account for the resources used for the acquisition of capital facilities and infrastructure for the City with the exception of those financed by the enterprise funds.

Debt Service Funds
The Debt Service funds are established to account for the collection of ad valorem taxes, special assessments, and tax increment revenue transfers as well as the payment of principal and interest of general long-term debt.

Proprietary Funds

Internal Service Funds
Internal Service Funds are established to finance and account for services and/or commodities furnished by a designed program to other programs within the City. Revenue to these funds is derived from charges to user departments in various operational funds of the City.

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ 223,104	\$ 1,737,902	\$ 1,961,006
Special assessments	-	-	1,031,432	1,031,432
Intergovernmental	888,998	-	-	1,092,753
Charges for services	50,103	-	-	50,103
Fines and forfeitures	5,348	-	-	5,348
Miscellaneous	-	-	-	-
Investment income	64,292	208,532	66,844	339,668
Contributions and donations	255	-	-	255
Other	22,779	28,588	-	51,367
Total revenues	1,031,775	663,979	2,836,178	4,531,932
Expenditures				
Current				
General government	19,204	13,562	-	32,766
Public safety	113,545	18,030	-	131,575
Public works	17,810	156,222	-	174,032
Culture and recreation	90,037	135,728	-	225,765
Community development	391,926	62,500	-	454,426
Airport	236,389	-	-	236,389
Debt service	-	-	-	-
Principal	-	80,000	2,290,000	2,370,000
Interest and other charges	-	9,900	457,102	467,002
Capital outlay	-	-	-	-
General government	140,678	221,559	-	362,237
Public safety	1,991,609	188,738	-	2,180,347
Public works	-	873,922	-	873,922
Culture and recreation	17,811	179,574	-	197,385
Community development	-	171,838	-	171,838
Airport	14,724	-	-	14,724
Total expenditures	3,033,733	2,111,573	2,747,102	7,892,408
Excess of revenues over (under) expenditures	(2,001,958)	(1,447,594)	89,076	(3,360,476)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	113,357	83,908	-	197,265
Transfers in	2,060,000	1,325,000	517,595	3,902,595
Transfers out	(1,500,000)	(206,613)	-	(1,706,613)
Total other financing sources (uses)	673,357	1,202,295	517,595	2,393,247
Net change in fund balances	(1,328,601)	(245,299)	606,671	(967,229)
Fund Balances				
Beginning of year	8,181,190	7,340,903	3,593,506	19,115,599
End of year	\$ 6,852,589	\$ 7,095,604	\$ 4,200,177	\$ 18,148,370

City of Albert Lea
Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2020

	Special Revenue					Total Nonmajor Special Revenue Funds
	Police Forfeitures (201)	Economic Development Revolving (203, 204)	Small Cities - 2016 Grant (206)	1999 Small Cities Grant (207)		
ASSETS						
Cash and investments	\$ 116,056	\$ 429,314	\$ 44,843	\$ 93,972		\$ 3,811,547
Accounts receivable	-	-	-	-	-	1,705
Interest receivable	-	-	-	-	-	3,933
Loans receivable	-	1,401,827	173,600	-	-	2,308,285
Due from other governments	-	-	-	500,000	-	1,113,859
Total assets	\$ 116,056	\$ 1,831,141	\$ 218,443	\$ 593,972		\$ 7,239,329
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -		\$ 198,094
Deposits payable	-	-	-	-	-	5,000
Contracts payable	-	-	-	-	-	30,000
Due to other governments	3,646	-	-	-	-	153,646
Total liabilities	3,646	-	-	-	-	386,740
Fund Balances						
Restricted	112,410	-	218,443	593,972		3,422,498
Committed	-	1,831,141	-	-		3,430,091
Total fund balances	112,410	1,831,141	218,443	593,972		6,852,589
Total liabilities, deferred inflows of resources, and fund balances	\$ 116,056	\$ 1,831,141	\$ 218,443	\$ 593,972		\$ 7,239,329

	Special Revenue							Total Nonmajor Special Revenue Funds
	Senior Center (210)	Airport (225)	Economic Development (230)	Housing Development (232)	Fire Pension (250)	Police Pension (251)		
	\$ 159,892	\$ 19,532	\$ 645,074	\$ 214,393	\$ 506,181	\$ 1,582,290		\$ 3,811,547
	-	(800)	2,505	-	-	-		1,705
	-	-	-	-	2,255	1,678		3,933
	-	613,859	732,858	-	-	-		2,308,285
	-	-	-	-	-	-		1,113,859
Total	\$ 159,892	\$ 632,591	\$ 1,380,437	\$ 214,393	\$ 508,436	\$ 1,583,968		\$ 7,239,329
	\$ 772	\$ 197,322	\$ -	\$ -	\$ -	\$ -		\$ 198,094
	-	-	5,000	-	-	-		5,000
	-	-	-	-	30,000	-		30,000
	-	-	150,000	-	-	-		153,646
	772	197,322	155,000	-	30,000	-		386,740
	-	435,269	-	-	478,436	1,583,968		3,422,498
	159,120	-	1,225,437	214,393	478,436	1,583,968		3,430,091
	159,120	435,269	1,225,437	214,393	478,436	1,583,968		6,852,589
Total	\$ 159,892	\$ 632,591	\$ 1,380,437	\$ 214,393	\$ 508,436	\$ 1,583,968		\$ 7,239,329

City of Albert Lea
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2020

	Special Revenue		Special Revenue							
	Police Forfeitures (201)	Economic Development Revolving (203, 204)	Small Cities - 2016 Grant (206)	1999 Small Cities Grant (207)	Senior Center (210)	Airport (225)	Economic Development (230)	Housing Development (232)	Fire Pension (250)	Police Pension (251)
Revenues										
Intergovernmental	-	-	\$ -	-	-	\$ 370,458	\$ -	-	\$ -	-
Charges for services	-	-	-	-	12,751	37,352	-	-	-	-
Fines and forfeitures	5,348	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,752	4,674	9,921	6,204	14,898	24,843
Investment income	-	-	-	-	255	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	11,941	-	200	-
Other	-	10,638	-	-	16,758	412,484	21,862	6,204	15,098	24,843
Total revenues	5,348	10,638	-	-	16,758	412,484	21,862	6,204	15,098	24,843
Expenditures										
Current										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	6,382	-	-	-	-	-	-	-	13,690	12,375
Public works	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	230	-	74,698	-	165,096	-	-	-
Community development	-	-	-	-	-	236,389	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	1,967,960	23,649
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Airport	6,382	-	230	-	74,698	14,724	165,096	-	1,981,650	36,024
Total expenditures	6,382	-	230	-	74,698	251,113	165,096	-	1,981,650	36,024
Excess of revenues over (under) expenditures	(1,034)	10,638	(230)	-	(57,940)	161,371	(145,234)	6,204	(1,966,552)	(11,181)
Other Financing Sources (Uses)										
Proceeds from sale of capital asset	-	-	-	-	-	-	-	-	113,357	-
Transfers in	-	-	-	-	85,000	75,000	300,000	-	1,600,000	-
Transfers out	-	-	-	-	(85,000)	(75,000)	(300,000)	-	(1,713,357)	(1,500,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	173,357	(1,500,000)
Net change in fund balances	(1,034)	10,638	(230)	-	27,060	236,371	156,766	6,204	(253,195)	(1,511,181)
Fund Balances										
Beginning of year	113,444	1,820,503	218,673	593,972	132,060	198,898	1,068,671	208,189	731,631	3,095,149
End of year	112,410	1,831,141	218,443	593,972	159,120	435,269	1,225,437	214,393	478,436	1,583,968

City of Albert Lea
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

Special Revenue	Total Nonmajor Special Revenue Funds
COVID (260)	-
\$ 518,540	\$ 888,998
-	50,103
-	5,348
-	64,292
-	255
-	22,779
518,540	1,031,775
Revenues	
Intergovernmental	19,204
Charges for services	81,098
Fines and forfeitures	17,810
Miscellaneous	15,339
Investment income	90,037
Contributions and donations	391,926
Other	236,389
Total revenues	1,031,775
Expenditures	
Current	19,204
General government	113,545
Public safety	17,810
Public works	15,339
Culture and recreation	90,037
Community development	391,926
Airport	236,389
Capital outlay	140,678
General government	1,991,609
Public safety	17,811
Culture and recreation	14,724
Airport	-
Total expenditures	3,033,733
Excess of revenues over (under) expenditures	(2,001,958)
Other Financing Sources (Uses)	
Proceeds from sale of capital asset	113,357
Transfers in	2,060,000
Transfers out	(1,500,000)
Total other financing sources (uses)	673,357
Net change in fund balances	(1,328,601)
Fund Balances	
Beginning of year	8,181,190
End of year	\$ 6,852,589

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City of Albert Lea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Senior Center Special Revenue Fund
Year Ended December 31, 2020

With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		2019	
	Original	Final	Actual	Actual
			Amounts	Amounts
Revenues				
Charges for services	\$ 55,000	\$ 55,000	\$ 12,751	\$ 48,664
Investment income	2,000	2,000	3,752	5,485
Contributions and donations	2,000	2,000	255	765
Other	500	500	-	83
Total revenues	59,500	59,500	16,758	54,997
Expenditures				
Current	164,859	164,859	74,698	148,175
Culture and recreation				
Excess of revenues over (under) expenditures	(105,359)	(105,359)	(57,940)	(93,178)
Other Financing Sources				
Transfers in	85,000	85,000	85,000	85,000
Net change in fund balances	\$ (20,359)	\$ (20,359)	\$ 27,060	\$ (8,178)
Fund Balances				
Beginning of year			132,060	140,238
End of year			\$ 159,120	\$ 132,060

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City of Albert Lea
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances -
 Budget and Actual
 Airport/Special Revenue Fund
 Year Ended December 31, 2020
 With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Variance with Final Budget - Over (Under)	2019	
	Budgeted Amounts	Actual Amounts		Actual Amounts	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ 80,000	\$ 80,000	\$ 290,458	\$ 180,518	
Charges for services	40,000	40,000	(2,648)	36,941	
Investment income	-	-	4,674	3,025	
Other	-	-	-	30,854	
Total revenues	120,000	120,000	292,484	251,338	
Expenditures					
Current					
Airport	119,400	119,400	116,989	173,816	
Capital outlay					
Airport	2,000	2,000	12,724	254,427	
Total expenditures	121,400	121,400	129,713	428,243	
Excess of revenues over (under) expenditures	(1,400)	(1,400)	162,771	(176,905)	
Other Financing Sources					
Transfers in	75,000	75,000	75,000	71,000	
Net change in fund balances	\$ 73,600	\$ 73,600	\$ 162,771	(105,905)	
Fund Balances					
Beginning of year			198,898	304,803	
End of year			\$ 435,269	\$ 198,898	

City of Albert Lea
 Nonmajor Capital Projects Funds
 Combining Balance Sheet -
 December 31, 2020

	Capital Projects			
	Broadway Ridge Renewal Grant (227)	Capital Improvement (401)	Capital Project Donations (404,405)	Building Maintenance (406)
Assets				
Cash and investments	\$ 389,161	\$ 2,898,797	\$ 34,526	\$ 782,903
Accounts receivable	-	-	34,019	-
Due from other funds	-	156,615	-	-
Due from other governments	-	7,492	-	-
Total assets	\$ 389,161	\$ 3,062,904	\$ 68,545	\$ 782,903
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,568
Deposits payable	-	8,750	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	-	8,750	-	16,568
Fund Balances				
Restricted	-	-	68,545	-
Assigned	389,161	3,054,154	-	766,335
Unassigned	-	-	-	-
Total fund balances	\$ 389,161	\$ 3,054,154	\$ 68,545	\$ 766,335
Total liabilities and fund balances	\$ 389,161	\$ 3,062,904	\$ 68,545	\$ 782,903

City of Albert Lea
 Nonmajor Capital Projects Funds
 Combining Balance Sheet -
 December 31, 2020

Continued

		Capital Projects						Capital Projects		
		TIF 5-22 Mrs. Gerry's (427)	TIF 9-1 Port Authority Bldg (429)	TIF 5-24 St. Johns Housing (431)	TIF 5-25 Zumbro (434)	TIF 5-26 Unique Opport (435)	TIF 5-27 Marketplace (436)	TIF 5-28 Vortex (437)	2021 CIP Projects (491)	Vehicles and Equipment (701)
Storm Water Projects (409)	\$	375,190	\$ 53,419	\$ 1,556	\$ 853	\$ -	\$ -	-	-	\$ 2,496,248
	\$	375,190	\$ 53,419	\$ 1,556	\$ 853	\$ -	\$ -	-	-	\$ 2,496,248
	\$	-	\$ -	\$ -	\$ -	\$ 13,436	\$ 10,498	6,450	25,784	41,883
	-	-	-	-	-	20,000	-	-	-	-
	-	-	-	-	-	39,918	13,088	6,630	96,979	-
	-	386	-	-	-	63	-	-	-	-
	-	386	-	-	20,453	-	-	13,080	122,763	-
	-	386	-	-	20,453	73,417	23,586	-	-	41,883
	-	53,033	1,556	853	-	-	-	-	-	-
	375,190	-	-	-	(20,453)	(73,417)	(23,586)	(13,080)	(122,763)	2,454,365
	375,190	53,033	1,556	853	(20,453)	(73,417)	(23,586)	(13,080)	(122,763)	2,454,365
	\$	375,190	\$ 53,419	\$ 1,556	\$ 853	\$ -	\$ -	\$ -	\$ -	\$ 2,496,248

Assets										
Cash and investments										
Accounts receivable										
Due from other funds										
Due from other governments										
Total assets	\$									\$ 2,496,248
Liabilities										
Accounts payable										
Deposits payable										
Due to other funds										
Due to other governments										
Advances from other funds										
Total liabilities										
	\$	6,450				13,436	10,498	6,630	25,784	41,883
	\$	6,450				13,436	10,498	6,630	25,784	41,883
Fund Balances										
Restricted										
Assigned										
Unassigned										
Total fund balances										
	\$									
Total liabilities and fund balances	\$									\$ 2,496,248

City of Albert Lea
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Year Ended December 31, 2020

Continued

	Capital Projects			Capital Projects			
	Computer Equipment (702)	Total Nonmajor Capital Projects Funds		Broadway Ridge Renewal Grant (227)	Capital Improvement (401)	Capital Project Donations (404,405)	Building Maintenance (406)
	\$ 185,711	\$ 7,218,364		\$ -	\$ 19,175	\$ -	\$ -
	-	34,019		-	89,097	6	21,962
	-	156,615		-	-	18,047	-
	-	7,492		-	-	-	-
	\$ 185,711	\$ 7,416,490		\$ -	\$ 108,272	\$ 18,047	\$ 21,962
Revenues							
Tax increment							
Intergovernmental							
Miscellaneous							
Investment income							
Other							
Total revenues							
Expenditures							
Current							
General government		114,619					2,524
Public safety		28,750					-
Public works		156,615			16,182		-
Culture and recreation		449			16,851		7,756
Community development		20,453		62,500			-
Debt services		320,886					-
Principal							-
Interest and other charges							-
Capital outlay							-
General government		123,987					211,531
Public safety	185,711	7,224,916					-
Public works		(253,299)			18,707		42,526
Culture and recreation		7,095,604			7,146		64,320
Community development					1,563		-
Total expenditures	\$ 185,711	\$ 7,416,490		\$ 62,500	\$ 60,449	\$ -	\$ 328,657
				(40,395)	47,823	18,047	(306,695)
Other Financing Sources (Uses)							
Proceeds from sale of capital asset							
Transfers in				25,000			300,000
Transfers out							-
Total other financing sources (uses)				25,000			300,000
				(15,395)	47,823	18,047	(6,695)
Fund balances							
Beginning of year				404,556	3,006,331	50,498	773,030
End of year				\$ 389,161	\$ 3,054,154	\$ 68,545	\$ 766,335

City of Albert Lea
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Year Ended December 31, 2020

Continued

		Capital Projects					Capital Projects	
Storm Water Projects (409)	TIF 5-22 Mrs. Gerry's (427)	TIF 9-1 Port Authority Bldg (429)	TIF 5-24 St. Johns Housing (431)	TIF 5-25 Zumbro (434)	TIF 5-26 Unique Opport (435)	TIF 5-27 Marketplace (436)	TIF 5-28 Vortex (437)	2019 CIP Projects (489)
\$	-	\$ 41,977	\$ 36,725	\$ 85,683	\$ 58,719	\$ -	\$ -	-
10,858	-	-	-	-	-	-	-	184,580
10,858	41,977	36,725	85,683	58,719	-	-	-	1,546
Revenues								
Tax increment								
Intergovernmental								
Miscellaneous								
Investment income								
Other								
Total revenues								
Expenditures								
Current								
General government								
Public safety								
Public works								
Culture and recreation								
Community development								
Debt services								
Principal								
Interest and other charges								
Capital outlay								
General government								
Public safety								
Public works								
Culture and recreation								
Community development								
Total expenditures								
Excess of revenues over (under) expenditures								
Other Financing Sources (Uses)								
Proceeds from sale of capital asset								
Transfers in								
Transfers out								
Total other financing sources (uses)								
Net change in fund balances								
Fund balances								
Beginning of year								
End of year								
Total								

City of Albert Lea
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 December 31, 2020

Continued

		Capital Projects			Debt Service			
		Vehicles and Equipment (701)	Computer Equipment (702)	Total Nonmajor Capital Projects Funds	PIR Bonds Series 2010A (306)	PIR Bonds Series 2011A (307)	PIR Bonds Series 2012A (308)	PIR Bonds Series 2013A (309)
2021 CIP Projects (491)	\$	-	-	\$ 223,104	-	-	-	\$ 386,644
		-	-	203,755	460,784	40,657	274,111	463,000
		67,913	5,045	208,532	591,498	40,657	274,111	849,644
		547	-	28,588	-	-	-	-
		68,460	5,045	663,979	-	-	-	-
		-	11,038	13,562	-	-	-	-
		-	18,030	18,030	-	-	-	-
		106,086	4,152	156,222	-	-	-	-
		-	1,038	135,728	-	-	-	-
		-	-	62,500	-	-	-	-
		-	-	80,000	-	-	-	-
		-	-	9,900	-	-	-	-
		-	10,028	221,559	-	-	-	-
		-	188,738	188,738	-	-	-	-
		-	649,143	873,922	-	-	-	-
		-	108,108	179,574	-	-	-	-
		-	-	171,838	-	-	-	-
		106,086	44,286	2,111,573	130,714	73	934	389,453
		(106,086)	(877,529)	(1,447,594)	-	-	-	-
		-	83,908	83,908	-	-	-	-
		-	950,000	1,325,000	-	-	-	-
		-	-	(206,613)	-	-	-	-
		-	1,033,908	1,202,295	-	-	-	-
		(106,086)	156,379	(245,299)	-	-	-	-
		(16,677)	2,297,986	7,340,903	-	-	-	-
		\$ (122,763)	\$ 2,454,365	\$ 7,095,604	\$ 591,498	\$ 40,657	\$ 274,111	\$ 849,644

City of Albert Lea
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 December 31, 2020

Debt Service					
2014A G.O. Equipment Certificate (310)	PIR and Refunding Bonds Series 2014B (311)	2016 G.O. Bonds (313)	2017 G.O. Bonds (314)	2018 G.O. Bonds (315)	2019 G.O. Bonds (316)
\$ 166,509	\$ -	\$ 898,509	\$ 762,079	\$ 888,214	\$ 711,512
-	182,212	541,369	380,240	490,498	12,294
<u>\$ 166,509</u>	<u>\$ 182,212</u>	<u>\$ 1,439,878</u>	<u>\$ 1,142,319</u>	<u>\$ 1,378,712</u>	<u>\$ 1,357,045</u>
\$ -	-	-	3,000	-	-
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
-	181,478	533,653	377,758	486,801	633,239
<u>166,509</u>	<u>734</u>	<u>906,225</u>	<u>761,561</u>	<u>891,911</u>	<u>723,806</u>
<u>\$ 166,509</u>	<u>\$ 182,212</u>	<u>\$ 1,439,878</u>	<u>\$ 1,142,319</u>	<u>\$ 1,378,712</u>	<u>\$ 1,357,045</u>

Debt Service		Total Nonmajor Debt Service Funds
2020 G.O. Bonds (320)	\$ 228,257	\$ 4,172,438
		12,294
	608,513	4,074,623
	<u>\$ 836,770</u>	<u>\$ 8,259,355</u>
Assets		
Cash and investments		
Taxes receivable - current		
Special assessment receivable		
Total assets		
Liabilities		
Accounts payable	-	3,000
Total liabilities	<u>-</u>	<u>3,000</u>
Deferred Inflows of Resources		
Unavailable revenue - special assessments	\$ 608,513	\$ 4,056,178
	<u>228,257</u>	<u>4,200,177</u>
	<u>\$ 836,770</u>	<u>\$ 8,259,355</u>

City of Albert Lea
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2020

Continued

	Debt Service					Debt Service					
	PIR Bonds Series 2010A (306)	PIR Bonds Series 2011A (307)	PIR Bonds Series 2012A (308)	PIR Bonds Series 2013A (309)		2014A G.O. Equipment Certificate (310)	PIR and Refunding Bonds Series 2014B (311)	2016 G.O. Bonds (313)	2017 G.O. Bonds (314)	2018 G.O. Bonds (315)	2019 G.O. Bonds (316)
Revenues											
Taxes	\$ 193,764	\$ 38,045	\$ 96,905	\$ 353,292		\$ 135,442	\$ 172,101	\$ 215,649	\$ 140,939	\$ 163,634	\$ 228,131
Special assessments	55,385	26,284	64,948	117,057		-	56,045	128,516	120,254	117,376	131,129
Miscellaneous											
Investment income	25			2,086		1,772		18,731	16,651	19,893	7,628
Total revenues	249,174	64,329	161,853	472,435		137,214	228,146	362,896	277,844	300,903	366,888
Expenditures											
Debt service											
Principal	160,000	65,000	190,000	525,000		115,000	485,000	335,000	205,000	210,000	-
Interest and other charges	33,671	6,202	14,376	66,127		14,765	34,622	56,159	64,784	71,459	94,937
Total expenditures	193,671	71,202	204,376	591,127		129,765	519,622	391,159	269,784	281,459	94,937
Excess of revenues over (under) expenditures	55,503	(6,873)	(42,523)	(118,692)		7,449	(291,476)	(28,263)	8,060	19,444	271,951
Other Financing Sources (Uses)											
Transfers in	-	5,936	42,543	-		-	248,742	-	-	-	206,613
Net change in fund balances	55,503	(937)	20	(118,692)		7,449	(42,734)	(28,263)	8,060	19,444	478,564
Fund Balances											
Beginning of year	75,211	1,010	914	508,145		159,060	43,468	934,488	753,501	872,467	245,242
End of year	\$ 130,714	\$ 73	\$ 934	\$ 389,453		\$ 166,509	\$ 734	\$ 906,225	\$ 761,561	\$ 891,911	\$ 723,806

City of Albert Lea
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2020

Continued

	Debt Service	Total Nonmajor Debt Service Funds
Revenues		
Taxes	2020 G.O. Bonds (320)	1,737,902
Special assessments	\$ -	1,031,432
Miscellaneous	214,438	66,844
Investment income	58	2,836,178
Total revenues	214,496	5,672,356
Expenditures		
Debt service		
Principal	-	2,290,000
Interest and other charges	-	457,102
Total expenditures	-	2,747,102
Excess of revenues over (under) expenditures	214,496	89,076
Other Financing Sources (Uses)		
Transfers in	13,761	517,595
Net change in fund balances	228,257	606,671
Fund Balances		
Beginning of year	-	3,593,506
End of year	\$ 228,257	\$ 4,200,177

City of Albert Lea
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances -
 Budget and Actual
 Year Ended December 31, 2020
 With Comparative Actual Amounts for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Over (Under)	2019 Actual Amounts	
	Original	Final			2019 Actual Amounts	2018 Actual Amounts
Revenues						
Taxes						
Property taxes	\$ 4,873,953	\$ 4,873,953	\$ 4,826,821	\$ (47,132)	\$ 4,693,243	\$ 4,693,243
Franchise fees	1,795,000	1,795,000	1,657,164	(137,836)	1,730,997	1,730,997
Lodging	11,500	11,500	6,657	(5,443)	11,624	11,624
Total taxes	6,680,453	6,680,453	6,490,642	(190,411)	6,435,864	6,435,864
Special Assessments	11,000	11,000	-	(11,000)	-	2,619
Licenses and permits	274,650	274,650	294,938	20,288	311,538	311,538
Intergovernmental revenue						
Local government aid	5,557,709	5,557,709	5,565,279	7,570	5,368,201	5,368,201
Other intergovernmental	896,400	896,400	1,814,740	918,340	929,989	929,989
Total intergovernmental revenue	6,454,109	6,454,109	7,380,019	925,910	6,298,190	6,298,190
Charges for services	1,098,960	1,098,960	823,701	(275,259)	1,089,711	1,089,711
Fines and forfeitures	99,000	99,000	64,988	(34,012)	103,588	103,588
Miscellaneous revenues						
Investment income	145,000	145,000	201,734	56,734	234,667	234,667
Contributions and donations	4,500	4,500	4,575	75	15,950	15,950
Other	48,996	48,996	47,522	(1,474)	59,766	59,766
Total miscellaneous revenues	198,496	198,496	253,831	55,335	310,383	310,383
Total revenues	14,816,668	14,816,668	15,307,519	490,851	14,551,893	14,551,893
Expenditures						
Current						
General government						
City Council						
Personnel services	65,297	65,297	64,844	(453)	64,620	64,620
Supplies	1,500	1,500	268	(1,232)	758	758
Other services and charges	95,850	95,850	92,354	(3,496)	92,057	92,057
Total city council	162,647	162,647	157,466	(5,181)	157,435	157,435
City Manager						
Personnel services	382,663	382,663	314,343	(68,320)	387,387	387,387
Supplies	1,750	1,750	670	(1,080)	661	661
Other services and charges	18,250	18,250	17,391	(859)	32,007	32,007
Total City Manager	402,663	402,663	332,404	(70,259)	420,255	420,255
City Clerk						
Personnel services	103,427	103,427	104,662	1,235	103,111	103,111
Supplies	1,050	1,050	447	(603)	1,047	1,047
Other services and charges	22,935	22,935	17,254	(5,681)	23,130	23,130
Total City Clerk	127,412	127,412	122,363	(5,049)	127,288	127,288

City of Albert Lea
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Year Ended December 31, 2020

With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Variance with Final Budget - Over (Under)	2019	
	Budgeted Amounts	Actual Amounts		Budgeted Amounts	Actual Amounts
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Elections					
Personnel services	\$ 30,000	\$ 30,000	\$ 3,165	\$ -	
Supplies	3,300	3,300	4,717	1,417	
Other services and charges	3,550	3,550	6,824	700	
Total elections	36,850	36,850	44,706	700	
Finance					
Personnel services	403,045	404,667	1,622	397,254	
Supplies	7,400	7,400	(2,311)	6,111	
Other services and charges	96,620	96,620	(7,318)	78,238	
Total finance	507,065	507,065	(8,007)	481,603	
City attorney					
Personnel services	229,406	227,538	(1,868)	225,464	
Supplies	900	900	301	2,393	
Other services and charges	43,250	43,250	(17,180)	30,263	
Total city attorney	273,556	273,556	(18,727)	258,120	
Personnel administration					
Personnel services	356,580	356,580	171,216	176,576	
Supplies	250	250	279	300	
Other services and charges	48,865	48,865	62,721	55,398	
Total personnel administration	405,695	405,695	234,216	232,274	
Zoning and planning					
Personnel services	122,675	120,765	(1,910)	-	
Supplies	500	500	138	(362)	
Other services and charges	18,260	18,260	16,068	(2,192)	
Total zoning and planning	141,435	141,435	136,971	(4,464)	
City center					
Personnel services	23,136	23,136	20,907	19,028	
Supplies	11,600	11,600	6,531	8,347	
Other services and charges	132,220	132,220	93,196	114,909	
Total city center	166,956	166,956	120,634	142,284	
Communications					
Personnel services	79,061	79,061	356	78,330	
Supplies	5,950	5,950	11	354	
Other services and charges	9,560	9,560	2,340	7,576	
Total communications	94,571	94,571	81,768	86,260	
Information technology					
Supplies	1,000	1,000	500	500	
Other services and charges	71,500	71,500	69,946	68,457	
Total information technology	72,500	72,500	70,446	68,957	
Total general government	2,391,350	2,391,350	2,054,861	1,975,176	

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City of Albert Lea
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Year Ended December 31, 2020

With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Variance with Final Budget - Over (Under)	2019	
	Budgeted Amounts	Actual Amounts		Budgeted Amounts	Actual Amounts
Expenditures (Continued)					
Current (Continued)					
Public safety					
Police					
Personnel services	\$ 3,338,269	\$ 3,338,269	\$ (148,403)	\$ 3,183,821	
Supplies	130,550	130,550	87,358	98,506	
Other services and charges	385,767	385,767	438,729	356,577	
Total police	3,854,586	3,854,586	(138,633)	3,638,904	
Fire					
Personnel services	1,920,961	1,920,961	54,079	1,942,485	
Supplies	105,150	105,150	85,647	88,294	
Other services and charges	143,650	143,650	95,286	111,156	
Total fire	2,169,761	2,169,761	(13,788)	2,141,935	
Inspection services					
Personnel services	337,654	337,654	331,825	302,518	
Supplies	13,500	13,500	8,993	11,057	
Other services and charges	179,750	179,750	122,435	31,201	
Total inspection services	530,704	530,704	463,253	344,776	
Community services					
Personnel services	150,463	150,463	153,299	147,299	
Supplies	5,500	5,500	1,384	2,139	
Other services and charges	20,495	20,495	30,381	24,141	
Total community services	176,458	176,458	185,064	173,579	
Total public safety	6,731,509	6,731,509	(211,266)	6,299,194	
Public works					
Engineering					
Personnel services	606,918	606,918	600,455	586,453	
Supplies	10,075	10,075	6,400	9,454	
Other services and charges	44,180	44,180	33,336	38,818	
Total engineering	661,173	661,173	(20,982)	634,725	
Street maintenance					
Personnel services	514,248	514,248	60,173	508,896	
Supplies	320,200	320,200	271,726	260,065	
Other services and charges	97,450	97,450	111,053	81,913	
Total street maintenance	931,898	931,898	846,854	850,874	
Snow and ice removal					
Personnel services	341,625	341,625	306,266	373,659	
Supplies	153,000	153,000	97,624	141,557	
Other services and charges	22,410	22,410	7,865	24,761	
Total snow and ice removal	517,035	517,035	411,755	539,977	

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City of Albert Lea
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		2019	
	Budgeted Amounts - Original	Final Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Public works (Continued)				
Storm drainage				
Personnel services	\$ 131,407	\$ 119,333	\$ (12,074)	\$ 128,219
Supplies	36,800	30,111	(6,689)	48,878
Other services and charges	74,160	51,780	(22,380)	67,224
Total storm drainage	242,367	201,224	(41,143)	244,321
Street lighting				
Supplies	32,900	21,368	(11,532)	11,580
Other services and charges	250,400	248,630	(1,770)	258,336
Total street lighting	283,300	269,998	(13,302)	269,916
City garage				
Personnel services	172,302	131,375	(40,927)	153,124
Supplies	33,700	41,574	7,874	31,579
Other services and charges	69,700	95,274	25,574	69,748
Total city garage	275,702	268,223	(7,479)	254,451
Total public works	2,911,475	2,638,245	(273,230)	2,794,264
Culture and recreation				
Recreation administration				
Personnel services	256,180	245,655	(10,525)	255,839
Supplies	13,700	1,829	(11,871)	7,645
Other services and charges	27,025	8,802	(18,223)	20,739
Total recreation administration	296,905	256,286	(40,619)	284,223
Arena				
Personnel services	267,033	220,166	(46,867)	248,134
Supplies	41,700	23,423	(18,277)	29,415
Other services and charges	210,285	154,020	(56,265)	214,191
Total arena	519,018	397,609	(121,409)	491,740
Swimming pool				
Personnel services	147,469	10,172	(137,297)	125,908
Supplies	34,725	198	(34,527)	30,669
Other services and charges	45,190	11,511	(33,679)	43,119
Total swimming pool	227,384	21,881	(205,503)	199,696
Park and recreation programs				
Personnel services	56,324	46,487	(9,837)	45,066
Supplies	17,500	9,225	(8,275)	14,981
Other services and charges	16,950	1,291	(15,659)	11,389
Total park and recreation programs	90,774	57,003	(33,771)	71,436

City of Albert Lea
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		2019	
	Budgeted Amounts - Original	Final Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Culture and recreation (Continued)				
Theater				
Supplies	\$ 1,500	\$ 1,286	\$ (214)	\$ 807
Other services and charges	26,540	16,625	(9,915)	21,995
Total theater	28,040	17,911	(10,129)	22,802
Parks				
Personnel services	886,126	778,566	(107,560)	864,927
Supplies	187,500	146,791	(40,709)	156,037
Other services and charges	148,220	121,371	(26,849)	125,369
Total parks	1,221,846	1,046,728	(175,118)	1,146,333
Forestry				
Personnel services	98,984	68,269	(30,715)	102,990
Supplies	30,200	26,712	(3,488)	27,237
Other services and charges	28,400	25,269	(3,131)	30,540
Total forestry	157,584	120,250	(37,334)	160,767
Library				
Personnel services	850,573	724,404	(126,169)	814,773
Supplies	146,100	133,972	(12,128)	139,023
Other services and charges	100,660	69,499	(31,161)	101,476
Total library	1,097,333	927,875	(169,458)	1,055,272
Total culture and recreation	3,638,884	2,845,543	(793,341)	3,432,269
Community development				
Community development services				
Personnel services	-	-	-	57,483
Supplies	-	-	-	3,316
Other services and charges	-	813	813	51,093
Total community development services	-	813	813	111,892
Property acquisitions				
Other services and charges	38,450	49,250	10,800	37,654
Economic development				
Other services and charges	66,500	63,812	(2,688)	65,823
Total community development	104,950	113,875	8,925	215,369
Total current expenditures	15,778,168	14,172,767	(1,605,401)	14,716,272

City of Albert Lea
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual
Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		2019	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
Expenditures (Continued)				
Debt Service				
Principal	\$ 14,000	\$ 14,931	\$ 931	\$ 15,156
Capital outlay				
Public safety	-	-	-	8,062
Culture and recreation	-	-	-	5,254
Total capital outlay	-	-	-	13,316
Total expenditures	15,792,168	14,187,698	(1,604,470)	14,744,744
Excess of revenues over (under) expenditures	(975,500)	1,119,821	2,095,321	(192,851)
Other Financing Sources (Uses)				
Transfers in	1,940,500	1,940,500	-	1,967,000
Total other financing sources (uses)	(965,000)	(1,765,000)	(800,000)	(971,000)
Net change in fund balances	975,500	175,500	(800,000)	996,000
	\$ -	\$ 1,295,321	\$ 1,295,321	\$ 803,149
Fund Balances				
Beginning of year		10,385,419		9,582,270
End of year		\$ 11,680,740		\$ 10,385,419

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City of Albert Lea
Internal Service Funds
Combining Statement of Net Position
December 31, 2020

	Health/Workers Comp Insurance (703)	Property Liability Insurance (704)	Total
Assets			
Cash and investments	\$ 408,485	\$ 242,841	\$ 651,326
Liabilities			
Accounts payable	2,310	14,687	16,997
Net Position			
Unrestricted	\$ 406,175	\$ 228,154	\$ 634,329

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City of Albert Lea
Internal Service Funds
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended December 31, 2020

	Health/Workers Comp Insurance (703)	Property Liability Insurance (704)	Total
Operating revenues			
Miscellaneous	\$ 37,064	\$ 28,804	\$ 65,868
Operating expenses			
Other services and charges	76,481	62,771	139,252
Operating loss	(39,417)	(33,967)	(73,384)
Nonoperating revenues			
Investment income	12,796	7,343	20,139
Miscellaneous revenue	3,000	-	3,000
Total nonoperating revenues	15,796	7,343	23,139
Change in net position	(23,621)	(26,624)	(50,245)
Net position			
January 1	429,796	254,778	684,574
December 31	\$ 406,175	\$ 228,154	\$ 634,329

City of Albert Lea
Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2020

	Health/Workers Comp Insurance (703)	Property/ Liability Insurance (705)	Total
Cash Flows - Operating Activities			
Payments to suppliers	\$ (74,325)	\$ (48,819)	\$ (123,144)
Other operating receipts	37,064	28,804	65,868
Net cash flows - operating activities	(37,261)	(20,015)	(57,276)
Cash Flows - Noncapital Financing activities			
Intergovernmental receipts	3,000	-	3,000
Cash Flows - Investing, Activities			
Interest received	12,796	7,343	20,139
Net change in cash and cash equivalents	(21,465)	(12,672)	(34,137)
Cash and Cash Equivalents			
January 1	429,950	255,513	685,463
December 31	\$ 408,485	\$ 242,841	\$ 651,326
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities			
Operating loss	\$ (39,417)	\$ (33,967)	\$ (73,384)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Accounts payable	2,156	13,952	16,108
Net cash flows - operating activities	\$ (37,261)	\$ (20,015)	\$ (57,276)

**City of Albert Lea
Statistical Section (Unaudited)**

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

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

- Table 1 – Net Position by Component
- Table 2 – Changes in Net Position
- Table 3 – Fund Balances of Governmental Funds
- Table 4 – Changes in Fund Balances of Governmental Funds
- Table 5 – Program Revenues by Function
- Table 6 – Governmental Activities Tax Revenue by Source

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, property taxes.

- Table 7 – Property Tax Levies and Collections
- Table 8 – Certified Special Assessment Collections
- Table 9 – Tax Capacity and Estimated Value of Taxable Property
- Table 10 – Property Tax Rates and Tax Levies – Direct and Overlapping Governments
- Table 11 – Principal Property Taxpayers

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

- Table 12 – Ratios of Outstanding Debt by Type
- Table 13 – Ratios of Net General Bonded Debt Outstanding
- Table 14 – Legal Debt Margin Information
- Table 15 – Computation of Direct and Overlapping Debt
- Table 16 – Schedule of Water Fund Bond Coverage
- Table 17 – Schedule of Sewer Fund Bond Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

- Table 18 – Demographic Statistics
- Table 19 – Top 10 Water System Customers
- Table 20 – Principal Employers
- Table 21 – Full-Time Equivalent Employees by Function
- Table 22 – Capital Asset Statistics by Function
- Table 23 – Operating Indicators by Function

STATISTICAL SECTION (UNAUDITED)

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Net Position by Component
Last Ten Fiscal Years

Table J

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 33,024,190	\$ 36,422,895	\$ 38,902,147	\$ 38,238,312	\$ 42,082,378	\$ 42,945,205	\$ 47,259,002	\$ 51,854,858	\$ 59,788,439	\$ 62,676,110
Restricted	17,055,998	17,785,097	18,709,908	19,579,069	21,453,540	24,221,520	24,314,972	23,938,762	18,624,347	17,183,548
Unrestricted	21,111,353	20,076,182	19,933,951	21,295,560	12,533,192	10,664,422	9,968,233	10,547,381	9,745,316	11,359,395
Total governmental activities net position	\$ 71,191,541	\$ 74,284,174	\$ 77,546,006	\$ 79,112,941	\$ 76,069,110	\$ 77,831,147	\$ 81,542,207	\$ 86,341,001	\$ 88,158,102	\$ 91,219,053
Business-Type Activities										
Net investment in capital assets	\$ 39,757,094	\$ 39,407,822	\$ 38,308,602	\$ 39,407,245	\$ 39,661,982	\$ 42,729,009	\$ 42,939,676	\$ 42,141,720	\$ 44,963,435	\$ 44,674,279
Unrestricted	11,084,277	12,200,119	12,562,117	12,802,989	12,613,332	11,238,332	10,698,663	11,003,827	11,595,802	12,242,153
Total business-type activities net position	\$ 50,841,371	\$ 51,607,941	\$ 50,870,719	\$ 52,210,234	\$ 52,275,314	\$ 53,967,341	\$ 53,638,339	\$ 53,145,547	\$ 56,559,237	\$ 56,916,432
Total Primary Government										
Net investment in capital assets	\$ 72,781,284	\$ 75,830,717	\$ 77,210,749	\$ 77,645,557	\$ 81,744,360	\$ 85,674,214	\$ 90,198,678	\$ 93,996,578	\$ 104,751,874	\$ 107,350,389
Restricted	17,055,998	17,785,097	18,709,908	19,579,069	21,453,540	24,221,520	24,314,972	23,938,762	18,624,347	17,183,548
Unrestricted	32,195,630	32,276,301	32,496,068	34,098,549	25,146,524	21,902,754	20,666,896	21,551,208	21,341,118	23,601,548
Total primary government	\$ 122,032,912	\$ 125,892,115	\$ 128,416,725	\$ 131,323,175	\$ 128,344,424	\$ 131,798,488	\$ 135,180,546	\$ 139,486,548	\$ 144,717,339	\$ 148,135,485

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Continued
Table 2

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
General government	\$ 1,926,712	\$ 1,808,099	\$ 1,946,733	\$ 2,066,221	\$ 1,735,013	\$ 2,062,534	\$ 2,166,561	\$ 2,169,413	\$ 2,466,797	\$ 2,409,652
Public safety	6,439,772	5,738,188	6,127,434	6,282,002	6,051,784	7,793,711	6,989,633	6,983,401	6,853,580	7,110,586
Public works	3,415,753	3,601,704	3,695,469	4,116,428	4,186,823	3,448,159	3,420,520	4,012,349	4,858,591	4,783,978
Culture and recreation	3,691,049	3,760,834	3,792,532	3,709,010	3,694,414	3,614,932	4,006,557	3,631,330	4,219,744	3,622,589
Airport	-	-	562,700	608,770	546,100	578,473	1,125,612	620,411	719,033	741,140
Community development	335,129	931,118	295,666	405,733	506,248	1,135,736	803,201	449,376	597,661	838,465
Interest on long-term debt	355,546	343,828	342,006	433,078	432,617	501,753	525,704	564,742	597,515	681,353
Total governmental activities expenses	16,163,961	16,193,771	16,762,540	17,621,242	17,152,999	19,135,298	19,037,788	18,431,022	20,312,921	20,187,763
Business-type activities										
Water	1,668,695	1,856,750	1,931,472	1,845,736	1,628,018	1,674,260	1,673,215	1,904,474	1,746,635	1,769,325
Sewer	3,758,711	3,702,369	3,477,519	3,520,744	3,677,161	3,603,255	3,540,898	4,118,407	4,116,664	4,233,447
Solid waste	186,934	172,647	140,180	109,784	130,506	140,752	145,871	104,009	138,355	142,238
Parking maintenance district	36,912	29,649	12,258	24,636	11,368	10,861	-	-	-	-
Total business-type activities expenses	5,651,252	5,761,415	5,561,429	5,500,900	5,447,053	5,429,128	5,359,984	6,126,890	6,001,654	6,145,010
Total expenses	\$ 21,815,213	\$ 21,955,186	\$ 22,323,969	\$ 23,122,142	\$ 22,600,052	\$ 24,564,426	\$ 24,397,772	\$ 24,557,912	\$ 26,314,575	\$ 26,332,773
Program Revenues										
Governmental activities										
Charges for services	\$ 170,666	\$ 164,696	\$ 126,519	\$ 131,199	\$ 91,998	\$ 100,449	\$ 140,139	\$ 165,619	\$ 169,971	\$ 134,210
General government	403,813	398,473	540,628	659,180	547,688	593,500	672,198	599,705	561,087	318,690
Culture and recreation	516,079	599,438	671,474	948,089	896,380	955,216	790,990	937,108	1,038,574	881,717
Other activities	2,342,509	783,030	766,247	551,154	604,428	613,416	574,252	593,197	656,566	1,550,687
Operating grants and contributions	6,520,439	5,378,484	5,685,443	2,353,280	5,239,394	4,749,991	4,013,023	5,026,013	2,675,884	3,004,849
Capital grants and contributions	9,953,506	7,324,121	7,790,311	4,642,902	7,379,888	7,012,572	6,190,602	7,321,642	5,102,082	5,890,153
Total governmental activities program revenue	18,945,121	17,247,411	17,907,014	12,314,468	18,295,693	17,276,667	17,517,554	18,018,106	17,677,620	16,423,613
Business-type activities										
Charges for services	\$ 1,894,512	\$ 1,991,866	\$ 2,150,345	\$ 2,363,536	\$ 2,538,061	\$ 2,778,218	\$ 2,979,526	\$ 3,172,833	\$ 3,356,138	\$ 3,528,741
Water	3,674,956	3,721,968	3,753,107	4,465,989	4,534,385	4,250,389	4,250,258	4,232,478	4,466,819	4,462,862
Sewer	217,172	198,120	256,524	215,350	178,641	164,168	159,616	183,978	162,093	176,446
Other activities	69,681	7,000	209,670	37,807	192,197	59,774	35,686	18,034	13,711	7,570
Operating grants and contributions	5,856,321	5,918,954	6,369,646	7,082,682	7,443,284	7,235,369	7,425,273	7,611,323	8,118,474	8,424,944
Capital grants and contributions	15,809,827	13,243,075	14,159,957	11,725,584	14,823,172	14,247,941	13,615,875	14,932,965	16,219,317	14,315,097
Total business-type activities program revenue	22,343,957	22,983,753	24,048,162	26,205,393	27,607,356	29,487,746	30,816,441	32,008,613	33,250,755	34,773,597
Total program revenues	\$ 41,189,078	\$ 40,231,164	\$ 41,955,176	\$ 38,519,862	\$ 45,903,049	\$ 46,764,413	\$ 48,334,000	\$ 50,026,719	\$ 50,928,375	\$ 51,197,210

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expenses) Revenues										
Governmental activities	\$ (6,210,455)	\$ (8,869,650)	\$ (8,972,229)	\$ (12,978,340)	\$ (9,773,111)	\$ (12,122,726)	\$ (9,773,111)	\$ (11,109,380)	\$ (15,210,839)	\$ (14,297,610)
Business-type activities	205,069	157,539	808,217	1,581,782	1,996,231	1,806,241	1,996,231	1,484,433	5,115,581	2,279,934
Total primary government	\$ (6,005,386)	\$ (8,712,111)	\$ (8,164,012)	\$ (11,396,558)	\$ (7,776,880)	\$ (10,316,485)	\$ (7,776,880)	\$ (9,624,947)	\$ (10,095,258)	\$ (12,017,676)
Changes in Net Position										
Governmental activities										
Taxes										
Property taxes - general purposes	\$ 4,738,668	\$ 5,226,320	\$ 4,814,108	\$ 4,764,012	\$ 4,859,193	\$ 4,790,563	\$ 4,938,679	\$ 4,849,730	\$ 4,733,069	\$ 4,878,635
Property taxes - debt service	157,348	139,638	705,172	1,073,458	1,200,097	1,398,161	1,388,212	1,552,317	1,552,317	1,737,902
Tax increments	-	-	157,535	265,279	133,114	125,907	321,562	354,442	367,775	386,348
Franchise and lodging taxes	1,708,025	1,499,375	1,485,581	1,512,332	1,465,245	1,603,182	1,659,893	1,798,752	1,730,997	1,657,164
Unrestricted grants and contributions	4,876,678	4,754,646	4,730,810	5,169,457	5,252,535	5,316,055	5,246,746	5,410,140	5,415,747	5,626,401
Unrestricted investment earnings	395,112	141,885	(643,608)	765,231	400,659	347,736	402,765	431,089	1,009,666	614,346
Sale of capital assets	-	-	77,571	8,159	51,070	56,707	33,956	84,402	31,369	197,265
Miscellaneous	536,230	549,710	12,185	(883,473)	-	(1,435,368)	652,489	-	-	-
Transfers - capital related	185,840	(349,291)	1,083,819	1,870,820	1,503,063	1,681,820	1,913,944	1,997,884	2,187,000	2,260,500
Transfers	12,597,901	11,962,283	12,423,173	14,545,275	14,864,976	13,884,763	16,558,246	16,478,756	17,027,940	17,358,561
Total governmental activities expenses										
Business-type activities										
Unrestricted investment earnings	920,660	260,040	(444,170)	744,898	96,193	132,238	172,142	151,632	485,109	337,761
Sale of capital assets	-	-	4,600	-	-	-	-	-	-	-
Transfers - capital related	(185,840)	349,291	(1,083,819)	(1,870,820)	(1,503,063)	(1,681,820)	(1,913,944)	(1,997,884)	(2,187,000)	(2,260,500)
Transfers	734,820	609,331	(1,523,389)	(242,449)	(1,406,870)	(1,142,144)	(2,394,291)	(1,846,252)	(1,701,891)	(1,922,739)
Total business-type activities expenses										
Total primary government	\$ 13,332,721	\$ 12,571,614	\$ 10,895,784	\$ 14,302,826	\$ 13,458,106	\$ 13,770,549	\$ 14,163,955	\$ 14,632,504	\$ 15,326,049	\$ 15,435,822
Change in Net Position										
Governmental activities	\$ 6,387,446	\$ 3,092,633	\$ 3,450,944	\$ 1,566,935	\$ 5,091,865	\$ 1,762,037	\$ 6,785,135	\$ 5,369,376	\$ 1,817,101	\$ 3,060,951
Business-type activities	939,889	766,870	(715,172)	1,339,333	589,361	1,692,027	(398,060)	(361,819)	3,413,690	357,195
Total primary government	\$ 7,327,335	\$ 3,859,503	\$ 2,735,772	\$ 2,906,268	\$ 5,681,226	\$ 3,454,064	\$ 6,387,075	\$ 5,007,557	\$ 5,230,791	\$ 3,418,146

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 3

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 5,148,018	\$ 4,401,159	\$ 4,428,587	\$ 1,919,712	\$ 1,899,194	\$ 1,804,829	\$ 1,731,572	\$ 1,702,641	\$ 1,671,527	\$ 1,695,073
Restricted	10,981,017	11,010,489	10,368,737	-	-	-	-	-	-	-
Committed	234,210	222,378	-	-	1,875,000	1,875,000	-	-	-	-
Assigned	3,812,781	3,849,973	31,592	-	-	-	-	-	-	-
Unassigned	3,057,183	4,238,006	7,826,600	10,614,235	8,407,722	9,155,071	8,398,760	7,879,629	8,713,892	9,985,667
Total general fund	\$ 23,213,209	\$ 23,722,005	\$ 22,655,516	\$ 12,533,947	\$ 12,181,916	\$ 12,834,900	\$ 10,130,332	\$ 9,582,270	\$ 10,385,419	\$ 11,680,740
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 6,149	\$ 7,938	\$ 19,968	\$ 7,415	\$ 4,927	\$ 3,083	\$ -	\$ -
Restricted	1,758,765	2,158,048	2,720,232	14,344,702	16,579,219	16,391,488	16,965,298	16,951,572	10,777,732	9,772,899
Committed	2,077,444	1,889,501	1,886,386	2,133,007	2,102,482	2,037,501	2,615,975	3,171,609	3,229,423	3,430,091
Assigned	3,800,395	1,915,613	2,326,744	6,400,714	6,827,722	6,812,232	7,764,741	7,813,460	7,235,022	7,224,916
Unassigned	(4,672,328)	(3,957,235)	(3,860,652)	(3,545,810)	(3,529,262)	(3,766,025)	(3,279,636)	(3,202,420)	(2,977,074)	(3,092,060)
Total all other governmental funds	\$ 2,964,276	\$ 2,005,927	\$ 3,078,859	\$ 19,340,551	\$ 22,000,129	\$ 21,482,611	\$ 24,071,305	\$ 24,737,304	\$ 18,265,103	\$ 17,335,846

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 4

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 6,613,493	\$ 6,949,680	\$ 7,138,718	\$ 7,635,725	\$ 7,663,371	\$ 7,957,791	\$ 8,286,427	\$ 8,541,532	\$ 8,351,045	\$ 8,638,196
Licenses and permits	258,844	310,939	275,418	312,958	342,797	280,282	296,467	328,177	311,538	294,938
Intergovernmental	12,122,957	9,251,480	8,527,227	6,861,436	9,739,172	6,886,655	8,481,280	9,551,765	7,452,543	9,024,657
Charges for services	566,901	630,883	901,680	917,164	830,200	1,028,636	877,925	1,056,646	1,175,316	873,804
Fines and forfeits	112,642	92,059	91,531	98,138	100,990	97,655	100,315	106,300	116,077	70,336
Special assessments	1,026,651	1,248,749	1,404,829	1,562,614	1,696,849	1,659,298	1,725,872	1,702,227	1,571,186	1,478,069
Interest on investments	369,006	133,976	(643,670)	764,369	392,003	331,854	387,807	413,355	980,692	594,207
Interest on loans	18,838	20,200	15,417	11,128	5,408	1,078	1,827	7,761	24,640	25,331
Miscellaneous	760,327	743,269	421,429	225,975	234,395	282,580	468,774	266,724	199,793	78,388
Total revenues	<u>21,849,659</u>	<u>19,381,235</u>	<u>18,132,579</u>	<u>18,389,507</u>	<u>21,005,185</u>	<u>18,525,829</u>	<u>20,626,694</u>	<u>21,973,487</u>	<u>20,182,830</u>	<u>21,077,926</u>
Expenditures										
General government	1,521,118	1,649,431	1,684,862	1,868,185	1,701,942	1,859,435	1,930,519	1,997,162	2,152,625	2,087,627
Public safety	5,451,398	5,564,899	5,592,068	6,119,229	5,849,404	6,016,086	6,333,491	6,771,675	6,481,734	6,651,818
Public works	2,344,413	2,251,711	2,206,692	2,809,929	2,635,489	2,468,244	2,437,700	3,147,116	3,170,733	2,978,719
Culture and recreation	2,972,404	2,903,431	3,129,911	3,205,489	3,356,548	3,282,690	3,374,156	3,471,282	3,585,183	3,071,308
Airport	-	-	-	130,705	136,980	306,591	227,124	206,596	173,816	236,389
Community development	328,963	514,945	257,726	306,163	193,453	416,995	731,839	301,095	409,751	569,302
Miscellaneous	255,190	324,413	-	306,163	-	-	-	-	-	-
Capital outlay	7,440,625	7,427,969	8,501,482	3,729,085	8,786,119	6,612,275	6,758,610	7,117,729	11,586,282	7,052,832
Principal	1,184,483	1,234,483	1,429,483	1,619,483	2,114,000	2,400,000	2,639,510	2,828,875	2,810,156	2,749,931
Interest and fiscal charges	387,683	386,540	335,284	439,025	382,856	508,374	532,519	571,309	604,575	629,322
Total expenditures	<u>21,886,277</u>	<u>22,257,822</u>	<u>23,135,508</u>	<u>20,227,293</u>	<u>23,156,771</u>	<u>23,870,690</u>	<u>24,965,468</u>	<u>26,411,839</u>	<u>30,974,835</u>	<u>26,027,248</u>
Deficiency of revenues under expenditures	(36,618)	(2,876,587)	(5,002,929)	(1,837,786)	(4,151,586)	(5,344,861)	(4,338,774)	(4,438,352)	(10,792,025)	(4,949,322)
Other financing sources (uses)										
Bond issued	970,000	2,215,000	5,335,000	3,005,000	4,900,000	3,510,000	2,275,000	2,430,000	2,565,000	2,575,000
Refunding bond issued	-	-	-	1,835,000	-	-	-	-	-	-
Principal paid on refunded bonds	-	-	-	(1,835,000)	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	39,667	11,745	-	8,159	51,070	56,707	33,956	88,996	291,086	282,621
Contribution for senior center	-	-	-	202,396	-	-	-	-	-	-
Payment to refunding agent	-	-	-	-	-	209,800	-	-	-	-
Transfer out	(653,075)	(1,527,443)	(1,732,979)	(11,211,407)	(4,121,500)	(1,821,366)	(4,919,775)	(3,626,190)	(2,065,268)	(3,982,595)
Transfer in	838,915	1,727,732	1,521,078	13,082,227	5,649,563	3,525,186	6,833,719	5,614,074	4,300,786	6,243,095
Total other financing sources (uses)	<u>1,195,507</u>	<u>2,427,034</u>	<u>5,123,099</u>	<u>5,086,375</u>	<u>6,479,133</u>	<u>5,480,327</u>	<u>4,222,900</u>	<u>4,356,289</u>	<u>5,122,973</u>	<u>5,315,386</u>
Net change in fund balances	<u>\$ 1,158,889</u>	<u>\$ (449,553)</u>	<u>\$ 120,170</u>	<u>\$ 3,248,589</u>	<u>\$ 2,327,547</u>	<u>\$ 135,466</u>	<u>\$ (115,874)</u>	<u>\$ 117,937</u>	<u>\$ (5,609,052)</u>	<u>\$ 366,064</u>
Debt service as a percentage of non capital expenditures	10.88%	10.93%	11.85%	12.44%	15.19%	17.15%	17.51%	18.11%	17.79%	17.75%

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Program Revenues by Function
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 5

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 173,666	\$ 164,696	\$ 126,519	\$ 131,199	\$ 91,998	\$ 100,449	\$ 140,139	\$ 165,619	\$ 169,971	\$ 134,210
Culture and recreation	403,813	398,473	540,628	659,180	547,688	593,500	672,198	599,705	561,087	318,690
Other activities	516,079	599,438	671,474	948,089	896,380	955,216	790,990	937,108	1,038,574	881,717
Operating grants and contributions	2,342,509	783,030	706,247	551,154	604,428	613,416	574,252	593,197	656,566	1,550,687
Capital grants and contributions	6,520,439	5,378,484	5,685,443	2,353,280	5,239,394	4,749,991	4,013,023	5,026,013	2,675,884	3,004,849
Total governmental activities program revenue	9,956,506	7,324,121	7,790,311	4,642,902	7,379,888	7,012,572	6,190,602	7,321,642	5,102,082	5,890,153
Business-type activities										
Charges for services										
Water	1,894,512	1,991,866	2,150,345	2,363,536	2,538,061	2,778,218	2,979,526	3,172,833	3,356,138	3,528,741
Sewer	3,674,656	3,721,968	3,753,107	4,465,989	4,534,385	4,230,589	4,250,258	4,236,478	4,466,819	4,462,862
Other Activities	217,172	198,120	256,524	215,350	178,641	164,168	159,616	183,978	162,093	176,446
Operating grants and contributions										
Capital grants and contributions	69,681	7,000	209,670	37,807	192,197	2,620	187	-	13,711	7,570
Total business-type activities program revenue	5,856,021	5,918,954	6,369,646	7,082,682	7,443,284	7,235,369	7,425,273	7,611,323	11,117,235	8,424,944
Total program revenues	\$ 15,812,527	\$ 13,243,075	\$ 14,159,957	\$ 11,725,584	\$ 14,823,172	\$ 14,247,941	\$ 13,615,875	\$ 14,932,965	\$ 16,219,317	\$ 14,315,097
Expenses										
Governmental activities										
General government	\$ 1,926,712	\$ 1,808,099	\$ 1,946,733	\$ 2,066,221	\$ 1,735,013	\$ 2,062,534	\$ 2,166,561	\$ 2,169,413	\$ 2,466,797	\$ 2,409,652
Public safety	6,439,772	5,738,188	6,127,434	6,282,002	6,051,784	7,793,711	6,989,633	6,983,401	6,853,580	7,110,586
Public works	3,415,753	3,611,704	3,695,469	4,116,628	4,186,823	3,448,159	3,420,520	4,012,349	4,858,591	4,783,978
Culture and recreation	3,691,049	3,760,834	3,792,532	3,709,010	3,694,414	3,614,932	4,006,557	3,631,330	4,219,744	3,622,589
Airport										
Community development	335,129	931,118	295,666	405,733	546,100	578,473	1,125,612	620,411	719,033	838,465
Interest on long-term debt	355,546	343,828	342,006	433,078	432,617	1,135,736	803,201	449,376	597,661	741,140
Total governmental activities expenses	16,163,961	16,193,771	16,762,540	17,621,242	17,152,999	19,135,298	19,037,788	18,431,022	20,312,921	20,187,763
Business-type activities										
Water	1,668,695	1,856,750	1,931,472	1,845,736	1,628,018	1,674,260	1,673,215	1,904,474	1,746,635	1,769,325
Sewer	3,758,711	3,702,369	3,477,519	3,520,744	3,677,161	3,603,255	3,540,898	4,118,407	4,116,664	4,233,447
Solid waste	186,934	172,947	140,180	109,784	130,506	140,752	145,871	104,009	138,355	142,238
Parking	36,912	29,649	12,258	24,363	11,368	10,861	-	-	-	-
Total business-type activities expenses	5,651,252	5,761,715	5,561,429	5,500,627	5,447,053	5,429,128	5,359,984	6,126,890	6,001,654	6,145,010
Total expenses	\$ 21,815,213	\$ 21,955,486	\$ 22,323,969	\$ 23,121,869	\$ 22,600,052	\$ 24,564,426	\$ 24,397,772	\$ 24,557,912	\$ 26,314,575	\$ 26,332,773

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

Table 6

Fiscal Year	Property Taxes	Franchise Taxes	Lodging Taxes	Other Taxes	Total
2011	\$ 4,729,216	\$ 1,540,143	\$ 167,882	\$ 157,348	\$ 6,594,589
2012	5,141,973	1,341,867	157,508	139,638	6,780,986
2013	5,538,047	1,472,616	12,965	157,535	7,181,163
2014	5,816,826	1,501,681	10,651	265,279	7,594,437
2015	6,053,568	1,454,231	11,014	133,114	7,651,927
2016	6,188,724	1,591,773	11,409	125,907	7,917,813
2017	6,326,891	1,648,034	11,859	321,562	8,308,346
2018	6,387,647	1,787,168	11,584	355,133	8,541,532
2019	6,245,560	1,730,997	11,624	362,864	8,351,045
2020	6,588,627	1,657,164	6,057	386,348	8,638,196

Sources of Data: Included General fund, Special Revenue funds Capital Project funds, and Debt Service funds.

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 7

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collections of Current Year's Taxes During Fiscal Period	Percentage of Levy Collected During Fiscal Period	Collections of Prior Year's Taxes During Fiscal Period	Total Collections To Date	Percentage of Levy Collected To Date
2011	\$ 4,900,880	\$ 4,747,104	96.76 %	\$ 153,776	\$ 4,900,880	99.99 %
2012	5,381,024	5,247,720	96.86	133,304	5,380,452	99.99
2013	5,463,342	5,338,030	97.52	125,312	5,462,814	99.99
2014	5,831,420	5,704,581	97.71	126,839	5,830,758	99.99
2015	5,958,550	5,879,780	97.82	78,770	5,955,937	99.96
2016	6,156,614	6,086,218	98.68	70,396	6,150,746	99.90
2017	6,236,269	6,210,749	98.86	25,520	6,225,518	99.83
2018	6,310,770	6,199,264	99.59	111,506	6,284,433	99.58
2019	6,310,770	6,182,403	97.97	128,367	6,270,022	99.35
2020	6,520,259	6,370,347	97.70	149,912	6,370,347	97.70

Source of Data: Includes General fund and Debt Service funds.

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Certified Special Assessment Collections
Last Ten Fiscal Years

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Tax Capacity and Estimated Value of Taxable Property
Last Ten Fiscal Years

Table 8

Fiscal Year Ended December 31	Current Assessments			Percent Collected	Total Outstanding Delinquent Assessments	Prepayment of Assessments	Real Property		Personal Property	
	Due	Collected	Assessments				Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value
2011	\$ 1,000,004	\$ 999,097	\$ 1,028,504	99.91 %	\$ 488	\$ 74,108	\$ 10,622,304	\$ 881,269,900	\$ 367,579	\$ 18,466,000
2012	1,108,933	1,028,504	937,653	92.75	328	160,668	9,100,487	740,672,600	384,349	19,504,500
2013	1,000,204	937,653	1,242,078	93.75	112	355,235	8,955,136	860,451,700	403,057	20,239,900
2014	1,309,516	1,366,041	1,635,221	94.85	59	426,843	9,298,274	863,696,800	479,886	24,044,800
2015	1,425,096	1,635,221	1,225,577	95.86	-	308,792	9,341,540	864,984,200	533,759	26,775,000
2016	1,710,255	1,323,192	1,389,166	95.61	903	495,935	9,705,164	897,229,600	447,095	22,441,800
2017	1,341,595	1,273,554	1,198,883	95.25	138,657	360,006	9,711,367	901,900,200	306,371	15,568,100
2018	1,389,166	1,198,883	1,042,244,700	96.40	187,706	246,620	10,206,037	1,018,997,000	310,773	15,588,200
2019	1,321,102	1,198,883		94.76	67,967	217,588	10,881,784	1,042,244,700	285,044	14,268,000
2020	1,265,153						11,172,314		326,690	16,345,600

Source of Data: Debt service and Capital Projects fund financial statements.
Note: Certified assessments only.

Source: Freeborn County Auditor/Treasurer.
Note: Property in the City is reassessed each year. Property is assessed at estimated actual market value, therefore, the assessed values are equal to actual value.

City of Albert Lea, Minnesota
 Statistical Section (Unaudited)
 Property Tax Rates and Tax Levies - Direct and Overlapping Governments
 Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31,	Total		Percent of Tax Capacity to Estimated Market Value		Total Direct Rate
	Tax Capacity	Estimated Market Value	Estimated Market Value	Market Value	
2011	\$ 10,989,883	\$ 899,735,900	899,735,900	1.22 %	49.163 %
2012	9,484,836	759,977,100	759,977,100	1.25 %	57.125
2013	9,358,193	880,691,600	880,691,600	1.06	60.632
2014	9,778,160	887,741,600	887,741,600	1.10	62.050
2015	9,875,299	891,759,200	891,759,200	1.11	63.216
2016	10,152,259	919,671,400	919,671,400	1.10	64.322
2017	10,017,738	917,268,300	917,268,300	1.09	63.087
2018	10,516,810	966,127,700	966,127,700	1.09	64.866
2019	11,166,828	1,033,265,000	1,033,265,000	1.08	61.908
2020	11,499,004	1,058,588,300	1,058,588,300	1.09	60.064

Source: Freeborn County Auditor/Treasurer.

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

Fiscal Year Ended December 31,	Direct Government		Total Rate
	Operating Rate	Cap Imp Bonds Rate	
2011	44.037 %	0.749 %	49.163 %
2012	50.489	0.901	57.125
2013	52.809	0.927	60.632
2014	50.918	0.878	62.050
2015	50.795	0.000	63.216
2016	50.025	0.000	64.322
2017	48.137	0.000	63.087
2018	48.910	0.000	64.866
2019	46.680	0.000	61.908
2020	43.834	0.000	60.064

City of Albert Lea, Minnesota
 Statistical Section (Unaudited)
 Principal Property Taxpayers
 Current Year and Nine Years Ago

Table 10

Overlapping Governments				Direct and Overlapping Total		2020		2020
School District	County	Special District				Taxable Market Value	Rank	Percentage of Total Market Valuation
25,848 %	57.512 %	1,368 %	133,891 %			\$ 7,502,400	1	0.83 %
28,931	62.642	1,481	150,179	Freeborn Mower Electric Co-op	Utility			0.70
28,730	59,514	1,996	150,872	Walt-Mart Real Estate Business	Retail	6,358,200	2	0.70
24,930	48,653	2,439	138,072	Larson Manufacturing Company	Manufacturing	6,314,200	3	0.69
24,948	48,598	2,401	139,163	Albert Lea Port Authority	Economic Development	6,263,400	4	0.69
24,842	53,931	2,419	145,514	Pratt Properties II, LLC	Corrugated Box	6,232,500	5	0.60
25,241	55,084	2,357	145,769	Continental Albert Lea LLP	Warehouse	5,411,200	6	0.60
27,113	59,057	3,257	154,293	Minnesota Energy Resources	Utility	4,832,700	7	0.54
27,372	59,697	3,140	152,117	Gemline B Vogt Trust	Manufacturing	4,617,800	8	0.45
27,749	62,573	3,024	153,410	Home Depot USA	Retail	4,097,300	9	0.45
				ITC Midwest, LLC	Utility	3,658,500	10	0.41
				Interstate Power Company	Utility	-	-	-
				MCB Properties, LTD	Corrugated Box	-	-	-
				Carrington Family Trust	Commercial Land & Bldgs	-	-	-
				Trails Truck & Travel Plaza	Travel Center	-	-	-
				E, Family C	Office Park	-	-	-
				Mayo Clinic Health Systems	Healthcare	-	-	-
				Total		\$ 55,288,200		6.12 %

Source: Freeborn County Auditor/Treasurer.
 Ranking Based on Tax Capacity.

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 11

Fiscal Year	Governmental Activities						
	General Obligation Bonds	G.O. Tax Incremental Bonds	Notes Payable	Equipment Certificates	Special Assessment Bonds (2)		
2011	\$ -	\$ -	\$ 157,450	\$ -	\$ 11,113,916		
2012	-	-	112,967	-	12,129,170		
2013	-	-	68,483	-	16,069,063		
2014	-	-	24,000	1,120,000	16,370,013		
2015	-	-	-	1,075,000	19,217,067		
2016	-	-	-	940,000	20,454,119		
2017	-	-	-	805,000	20,231,167		
2018	-	-	-	660,000	20,025,553		
2019	-	-	163,700	700,000	20,034,497		
2020	-	-	148,769	555,000	20,261,683		

(1) Personal income and population data can be found in the demographic statistics on Table 18 of the statistical section.

(2) Presented net of original issuance discounts and premiums.

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

Market Value	2011		Percentage of Total Market Valuation
	Rank	Rank	
\$ 5,510,950	2	2	0.62
2,847,650	10	10	0.32
5,466,100	3	3	0.61
3,435,200	6	6	0.39
18,159,250	1	1	2.04
5,409,600	4	4	0.61
4,041,550	5	5	0.45
2,865,900	9	9	0.32
3,242,250	8	8	0.36
3,330,500	7	7	0.37
<u>\$ 54,308,950</u>			<u>6.09</u> %

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 13

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds (2)	Net Bonded Debt	Ratio on Net Bonded Debt to Capacity (3)	Net Bonded Debt per Capita (3)
2011	\$ 13,122,810	\$ (6,213,701)	\$ 6,909,109	62.87%	\$ 383
2012	13,945,885	(6,683,448)	7,262,437	76.57%	404
2013	17,693,678	(8,020,978)	9,672,700	103.36%	539
2014	19,240,137	(8,246,744)	10,993,393	112.43%	612
2015	21,834,420	(8,408,322)	13,426,098	135.96%	748
2016	22,727,403	(11,673,438)	11,053,965	108.88%	618
2017	22,166,836	(12,652,707)	9,514,129	94.97%	527
2018	21,603,608	(11,677,676)	9,925,932	94.38%	550
2019	21,603,637	(13,519,419)	8,084,218	72.39%	445
2020	23,967,182	(13,527,062)	10,440,120	90.79%	576

(1) Presented net of original issuance discounts and premiums.

(2) This is the amount restricted for debt service premiums.

(3) See Table 9 for tax capacity and Table 18 for population.

Table 12

Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
G.O. Water Revenue Bonds (2)	Equipment Certificates	PFA Loans		
\$ 1,851,444	\$ -	\$ -	1.95 %	\$ 728
1,703,748	-	13,945,885	1.98	775
1,556,132	-	17,693,678	2.37	985
1,411,124	315,000	19,240,137	2.71	1,071
1,252,353	290,000	21,834,420	3.01	1,217
1,078,284	255,000	22,727,403	3.17	1,270
910,669	220,000	22,166,836	2.92	1,228
733,055	185,000	21,603,608	2.75	1,198
555,440	150,000	22,817,923	2.82	1,256
2,886,730	115,000	25,129,965	2.92	1,386

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Legal Debt Margin Information
Last Ten Fiscal Years

Table 14

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 26,992,077	\$ 22,799,313	\$ 26,420,748	\$ 26,632,248	\$ 26,752,776	\$ 27,590,142	\$ 27,518,049	\$ 26,752,776	\$ 27,590,142	\$ 27,518,049
Total net debt applicable to limit	-	-	-	1,190,858	1,163,189	944,521	879,593	692,982	690,940	670,000
Legal debt margin	\$ 26,992,077	\$ 22,799,313	\$ 26,420,748	\$ 25,441,390	\$ 25,589,587	\$ 26,645,621	\$ 26,638,456	\$ 26,059,794	\$ 26,899,202	\$ 26,848,049
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	4.47%	4.35%	3.42%	3.20%	2.59%	2.50%	2.43%
Legal Debt Margin Calculation for Fiscal Year										
Estimated Taxable Market Value										\$ 917,268,300
Debt Limit (2% of taxable market value; 3% after 2008)										\$ 27,518,049
Legal Debt Margin										\$ 27,518,049

Note A: Under State of Minnesota law, the City of Albert Lea outstanding general obligation debt should not exceed 3% of the market value of taxable property. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

**City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Computation of Direct and Overlapping Debt**

Table 15

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Albert Lea	City of Albert Lea's Share of the Debt
Direct			
City of Albert Lea	\$ 20,965,452	100.00 %	\$ 20,965,452
Overlapping			
School District #241	40,895,971	42.60	17,422,389
County of Freeborn	7,435,000	22.43	1,667,963
Shell Rock River Watershed	1,550,897	22.86	354,562
Total overlapping debt			19,444,914
Total direct and overlapping debt			\$ 40,410,366

Source: Assessed value data used to estimate applicable percentages provided by Freeborn County Auditor/Treasurer debt outstanding data provided by Freeborn County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Albert Lea. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Albert Lea. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable value.

**City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Schedule of Water Fund Bond Coverage
Last Ten Fiscal Years**

Table 16

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements - Principal	Debt Service Requirements - Interest	Total	Coverage
2011	\$ 1,895,015	\$ 1,351,890	\$ 543,125	\$ 140,000	\$ 60,796	\$ 200,796	2.70 %
2012	1,992,778	1,490,998	501,780	150,000	58,993	208,993	2.40
2013	2,121,488	1,513,354	608,134	150,000	56,698	206,698	2.94
2014	2,334,575	1,524,685	809,890	155,000	54,972	209,972	3.86
2015	2,510,288	1,301,217	1,209,051	185,000	54,059	239,059	5.06
2016	2,729,257	1,344,681	1,384,576	205,000	54,362	259,362	5.34
2017	2,929,831	1,347,363	1,582,468	205,000	44,249	249,249	6.35
2018	3,120,669	1,541,431	1,579,238	215,000	34,284	249,284	6.34
2019	3,321,001	1,358,060	1,962,941	223,767	28,929	252,696	7.77
2020	3,491,601	1,332,705	2,158,896	118,666	50,942	169,608	12.73

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

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Schedule of Sewer Fund Bond Coverage
Last Ten Fiscal Years

Table 17

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements	Total	Coverage
			Principal	Interest		
2011	\$ 4,594,893	\$ 2,812,776	\$ 1,782,117	\$ 4,410	\$ 184,410	9.66 %
2012	3,981,004	2,668,165	1,312,839	-	-	100.00
2013	3,308,937	2,473,664	835,273	-	-	100.00
2014	4,465,898	2,495,649	1,970,249	-	-	100.00
2015	4,534,385	2,564,397	1,969,988	-	-	100.00
2016	4,230,589	2,462,142	1,768,447	-	-	100.00
2017	4,250,258	2,361,015	1,889,243	-	-	100.00
2018	4,213,234	2,874,193	1,339,041	-	-	100.00
2019	4,450,023	2,867,173	1,582,850	20,297	24,634	100.00
2020	4,446,636	2,969,112	1,477,524	8,267	119,267	12.39

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

City of Albert Lea, Minnesota
Statistical Section (Unaudited)
Demographic Statistics
Last Ten Fiscal Years

Table 18

Year	Population (1)	Personal Income (2)	Median Household Income (3)	School Enrollment (4)	Unemployment Rate (5)
2011	18,016	\$674,104,672	\$37,417	3,311	5.9 %
2012	17,994	702,701,688	39,052	3,277	6
2013	17,957	745,484,855	41,515	3,294	5.7
2014	17,957	710,666,232	39,576	3,217	4.5
2015	17,945	724,511,430	40,374	3,323	4.7
2016	17,899	716,622,263	40,037	3,397	3.3
2017	18,045	760,199,760	42,128	3,423	4.7
2018	18,032	784,969,024	43,532	3,535	3.9
2019	18,165	808,578,645	44,513	3,595	3.7
2020	18,132	861,415,056	47,508	3,572	4.1

Source:
 (1) State demographer estimate.
 (2) Estimation: Calculated (population multiplied by per capita personal income).
 (3) US Census Bureau.
 (4) Minnesota Department of Education (Student Data).
 (5) MN DEED (Freeborn County).

City of Albert Lea, Minnesota
 Statistical Section (Unaudited)
 Top 10 Water System Customers
 (by Units of Consumption as of December 31, 2020)

Table 19

	Consumption in Cubic Feet for 12 months ended 12/31/20	Percent of Total Consumption
Gargill Meat Solution Corporation	13,003,989	12.3 %
Mrs. Gerry's Kitchen	8,893,254	8.4
Horned Albert Lea Select Foods	5,497,861	5.2
Ventura Foods LLC	3,105,650	2.9
AmTech Ingredients, LLC	1,760,020	1.7
Mayo Clinic Health Systems Albert Lea	1,748,844	1.6
Prairie Resources	1,049,382	1.0
Albert Lea Electro Plating, Inc	899,109	0.8
Good Samaritan Center	826,200	0.8
Trails Truck Service Center	791,330	0.7

Note: One hundred cubic feet equates to approximately 748 gallons.
 Source: City utility data.

City of Albert Lea, Minnesota
 Statistical Section (Unaudited)
 Principal Employers
 Current Year and Nine Years Ago

Employer	Business Type	2020	
		Number of Employees	Rank
Mayo Clinic Health Systems - Albert Lea	Medical	1,200	1
Albert Lea Area Schools	Education (Pre K-12)	684	2
Albert Lea Select Foods	Pork Processing	448	3
Lou-Rich, Inc	Manufacturing	393	4
Freeborn County	County Government	336	5
Cargill Incorporated	Agribusiness	320	6
St. John's Lutheran Home	Nursing Home, Assisted Living	300	7
Walmart	Discount retail	285	8
City of Albert Lea	City Government	280	9
Hy-Vee Food Store	Grocery	200	10
Innovance Inc	Holding Company (non-bank)	-	-
Riverland Community College	Post-Secondary Education	-	-
Total		4,446	
			Percent of Total City Employee
			12.41 %
			7.07
			4.63
			4.06
			3.48
			3.31
			3.10
			2.95
			2.90
			2.07
			45.98 %

City of Albert Lea, Minnesota
Statistical Section (unaudited)
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Table 20

Function	Fiscal Year					
	2011	2012	2013	2014	2015	2016
General Government						
Administration	2.00	1.00	4.00	4.00	4.00	4.00
Human resources	1.00	1.00	1.00	1.00	1.50	1.50
Finance	5.45	6.45	5.00	5.00	4.50	4.00
Legal	2.00	2.00	2.00	2.00	2.00	2.00
Public information	1.00	1.00	1.00	1.00	1.00	1.00
City Center	1.00	1.00	1.00	1.00	1.00	1.00
Police						
Sworn officers	28.00	27.00	26.00	26.00	26.50	26.50
Other	12.10	14.60	14.60	14.60	2.50	2.50
Fire and Inspection						
Fire	16.00	15.50	16.50	16.50	16.50	16.50
Inspection	3.00	3.00	3.00	3.00	3.00	3.00
Public Works						
Engineering	5.40	5.40	5.40	5.40	5.40	5.40
Street and garage	13.00	12.00	12.00	12.00	12.00	12.00
Water	10.00	10.00	10.00	10.00	9.00	9.00
Sewer	13.50	13.50	13.50	13.50	13.50	13.50
Solid waste management	1.00	1.00	1.00	1.00	1.00	1.00
Parks and Recreation						
Recreation	2.85	2.85	2.85	2.85	2.85	2.85
Swimming	0.15	0.15	0.15	0.15	0.15	0.15
Senior citizen center	1.20	1.20	1.20	1.20	1.50	1.50
Arena	4.00	3.00	3.00	3.00	3.00	3.00
Theater	-	-	-	-	-	-
Parks	7.67	8.00	8.00	8.00	8.00	8.00
Library	9.90	10.30	10.30	10.30	11.50	12.70
Community Development	2.00	2.00	-	-	-	-
Total employees	151.48	140.67	141.22	140.95	140.50	140.50

Source: 2020 Budget

Number of Employees	Rank	Percent of Total City Employee	
		Rank	%
1,200	1	7.21	%
511	3	3.07	
505	2	3.31	
-	-	-	
325	5	1.95	
250	10	1.50	
280	8	1.68	
278	9	1.65	
-	-	-	
315	6	1.89	
340	4	2.04	
300	7	1.80	
4,304		26.10	%

City of Albert Lea, Minnesota
Statistical Section (unaudited)
Capital Asset Statistics by Function
Last Ten Fiscal Years

Table 21

Function	Fiscal Year				
	2011	2012	2013	2014	2015
Police					
Stations	1	1	1	1	1
Patrol units	18	18	18	18	18
Fire Station	1	1	1	1	1
Streets					
Streets (miles)	137.63	138.22	138.22	138.22	138.22
Streetlights	1,847	1,847	1,847	1,862	1,862
Parks and Recreation					
Arena	1	1	1	1	1
Civic theater	1	1	1	1	1
Senior citizen center	1	1	1	1	1
Softball fields	5	5	5	5	5
Swimming pools	1	1	1	1	1
Splash pad	-	-	-	-	-
Tennis courts	3	3	3	3	3
Parks acreage	432	432	432	432	432
Parks	44	44	44	44	44
Water					
Storage capacity (millions of gallons)	2.4	2.4	2.4	2.4	2.4
Watermains (miles)	114.34	115.06	115.78	115.78	115.78
Pumping plants	4	4	4	4	4
Fire hydrants	1,156	1,156	1,156	1,156	1,156
Sewer					
Sanitary sewers (miles)	109.7	109.73	109.73	109.73	109.73
Storm sewers (miles)	57.48	58.28	58.59	58.59	58.59
Maximum daily treatment capacity (millions of gallons)	12.5	12.5	12.5	12.5	12.5
	134.00	136.00	136.98	136.98	136.55

City of Albert Lea, Minnesota
 Statistical Section (unaudited)
 Operating Indicators by Function
 Last Ten Fiscal Years

Table 22

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Class I crimes	468	517	500	426	406	347				
Class II crimes	799	735	648	644	599	571				
Fire										
Number of calls answered	677	711	700	803	2,084	2,143				
Inspections	189	207	195	195	388	457				
Highways and Streets										
Street resurfacing (miles)	3.97	2.89	3.11	5.52	1.43	5.19				
Boat dock permits	250	212	249	242	257	265				
Culture and recreation	304	336	331	331	341	311				
Park facility rentals										
Water										
New connections	9	11	17	11	17	19				
Watermain breaks	23	32	38	46	28	26				
Average daily consumptions (thousand of gallons)	2,915	3,068	3,075	3,208	3,073	2,930				
Wastewater										
Average daily sewage treatment (thousand of gallons)	4,918	2,781	3,683	3,718	3,615	4,376				

Table 23

	Fiscal Year		
	2017	2018	2019
	433	496	551
	372	624	678
	2,091	2,271	2,404
	395	610	1,052
	3.35	4.51	2.19
			3.23
	262	266	269
	343	340	383
	10	20	68
	39	59	38
	2,853	2,753	5,501
			2,548
	3,654	3,630	4,853
			3,216

FORM OF LEGAL OPINION

(See following pages)



Offices in Fifth Street Towers
Minneapolis 150 South Fifth Street, Suite 700
Minneapolis, MN 55402
Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

\$[_____]
City of Albert Lea, Minnesota
General Obligation Utility Revenue Bonds
Series 2021B

We have acted as bond counsel to the City of Albert Lea, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Utility Revenue Bonds, Series 2021B (the “Bonds”), originally dated hereof, and issued in the original aggregate principal amount of \$_____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable against the Issuer in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from net revenues of the water systems of the Issuer, but if necessary for the payment thereof ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor’s rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated October ____, 2021, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$ _____
City of Albert Lea, Minnesota
General Obligation Utility Revenue Bonds
Series 2021B

CONTINUING DISCLOSURE CERTIFICATE

September __, 2021

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Albert Lea, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Utility Revenue Bonds, Series 2021B (the “Bonds”), in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____ (the “Purchaser”), on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Utility Revenue Bonds, Series 2021B, issued by the Issuer in the original aggregate principal amount of \$ _____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed Final Official Statement, dated September __, 2021, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation;

or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Albert Lea, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2021, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF ALBERT LEA, MINNESOTA

Mayor

City Manager

APPENDIX E

TERMS OF PROPOSAL

\$7,155,000* GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2021B CITY OF ALBERT LEA, MINNESOTA

Proposals for the purchase of \$7,155,000* General Obligation Utility Revenue Bonds, Series 2021B (the "Bonds") of the City of Albert Lea, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on September 27, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of financing the demolition of the existing water tower and the construction of a new water tower within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated October 21, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$285,000	2030	\$340,000	2037	\$380,000
2024	320,000	2031	345,000	2038	390,000
2025	325,000	2032	350,000	2039	400,000
2026	325,000	2033	355,000	2040	405,000
2027	330,000	2034	360,000	2041	415,000
2028	330,000	2035	365,000	2042	425,000
2029	335,000	2036	375,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about October 21, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,069,140 plus accrued interest on the principal sum of \$7,155,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$143,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the

"competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing

issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Albert Lea, Minnesota

PROPOSAL FORM

The City Council
City of Albert Lea, Minnesota

September 27, 2021

RE: \$7,155,000* General Obligation Utility Revenue Bonds, Series 2021B (the "Bonds")
DATED: October 21, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$7,069,140) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2023	_____ % due 2030	_____ % due 2037
_____ % due 2024	_____ % due 2031	_____ % due 2038
_____ % due 2025	_____ % due 2032	_____ % due 2039
_____ % due 2026	_____ % due 2033	_____ % due 2040
_____ % due 2027	_____ % due 2034	_____ % due 2041
_____ % due 2028	_____ % due 2035	_____ % due 2042
_____ % due 2029	_____ % due 2036	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$143,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about October 21, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use either the: _____ 10% test, or the _____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 21, 2021 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Albert Lea, Minnesota, on September 27, 2021.

By: _____ By: _____
Title: _____ Title: _____