

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2022

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 it is subject to revision, amendment and completion in a Final Official Statement.

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)

\$4,990,000* GENERAL OBLIGATION BONDS, SERIES 2022A

PROPOSAL OPENING: June 27, 2022, 10:30 A.M., C.T.

CONSIDERATION: June 27, 2022, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$4,990,000* General Obligation Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429, 444, 469 and 475, and Section 469.1814, by the City of Albert Lea, Minnesota (the "City") for the purposes of financing various street and utility improvements and repairs and maintenance to the City's Arena 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:

July 14, 2022

MATURITY:

February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2024	\$440,000	2028	\$485,000	2032	\$550,000
2025	445,000	2029	505,000	2033	570,000
2026	460,000	2030	525,000		
2027	475,000	2031	535,000		

**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:

February 1, 2023 and semiannually thereafter.

**OPTIONAL
REDEMPTION:**

Bonds maturing on February 1, 2032 and thereafter are subject to call for prior optional redemption on February 1, 2031 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$4,930,120.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$99,800 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).

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.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	FINANCIAL STATEMENTS	A-1
THE BONDS	1	FORM OF LEGAL OPINION	B-1
GENERAL	1	BOOK-ENTRY-ONLY SYSTEM	C-1
OPTIONAL REDEMPTION	2		
AUTHORITY; PURPOSE	2		
ESTIMATED SOURCES AND USES	2	FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1
SECURITY	3		
RATING	4	TERMS OF PROPOSAL	E-1
CONTINUING DISCLOSURE	4		
LEGAL OPINION	5		
TAX EXEMPTION	5		
QUALIFIED TAX-EXEMPT OBLIGATIONS	6		
MUNICIPAL ADVISOR	6		
MUNICIPAL ADVISOR AFFILIATED COMPANIES	6		
INDEPENDENT AUDITORS	7		
RISK FACTORS	7		
VALUATIONS	10		
OVERVIEW	10		
CURRENT PROPERTY VALUATIONS	11		
2021/22 NET TAX CAPACITY BY CLASSIFICATION	12		
TREND OF VALUATIONS	12		
LARGER TAXPAYERS	13		
DEBT	14		
DIRECT DEBT	14		
SCHEDULES OF BONDED INDEBTEDNESS	15		
DEBT LIMIT	23		
OVERLAPPING DEBT	24		
DEBT RATIOS	25		
DEBT PAYMENT HISTORY	25		
FUTURE FINANCING	25		
TAX RATES, LEVIES AND COLLECTIONS	26		
TAX LEVIES AND COLLECTIONS	26		
TAX CAPACITY RATES	26		
LEVY LIMITS	27		
THE ISSUER	28		
CITY GOVERNMENT	28		
EMPLOYEES; PENSIONS; UNIONS	28		
POST EMPLOYMENT BENEFITS	28		
LITIGATION	28		
MUNICIPAL BANKRUPTCY	29		
FUNDS ON HAND	29		
ENTERPRISE FUNDS	30		
SUMMARY GENERAL FUND INFORMATION	31		
GENERAL INFORMATION	32		
LOCATION	32		
LARGER EMPLOYERS	32		
BUILDING PERMITS	33		
U.S. CENSUS DATA	34		
EMPLOYMENT/UNEMPLOYMENT DATA	34		

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 office located in Waukesha, Wisconsin*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Albert Lea, Minnesota (the "City") and the issuance of its \$4,990,000* General Obligation Bonds, Series 2022A (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 June 27, 2022.

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 July 14, 2022. 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 February 1, 2023, 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 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 429, 444, 469 and 475, and Section 469.1814, by the City, for the purposes of financing: (I) the 2022 street (the "Improvement Portion"); (ii) sanitary sewer and water utility projects (the "Utility Revenue Portion"); and (iii) maintenance and repairs for the City Arena (the "Project" or the "Tax Abatement Portion").

For the Tax Abatement Portion, per Minnesota Statutes, Chapter 469, in any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) \$200,000, whichever is greater.

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Utility Revenue Portion	Tax Abatement Portion	Total Bond Issue
Par Amount of Bonds	<u>\$2,725,000</u>	<u>\$1,795,000</u>	<u>\$470,000</u>	<u>\$4,990,000</u>
Total Sources	\$2,725,000	\$1,795,000	\$470,000	\$4,990,000
Uses				
Total Underwriter's Discount (1.200%)	\$32,700	\$21,540	\$5,640	\$59,880
Costs of Issuance	40,411	26,619	6,970	74,000
Deposit to Capitalized Interest (CIF) Fund	45,969	-	7,932	53,901
Deposit to Project Construction Fund	2,601,607	1,748,298	450,000	4,799,905
Rounding Amount	<u>4,313</u>	<u>(1,457)</u>	<u>(542)</u>	<u>2,314</u>
Total Uses	\$2,725,000	\$1,795,000	\$470,000	\$4,990,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Improvement Portion	Utility		Tax		Total Bond Issue
		Revenue Portion	Abatement Portion	Portion	Bond Issue	
2/01/2024	\$240,000	\$160,000	\$40,000		\$440,000	
2/01/2025	245,000	160,000	40,000		445,000	
2/01/2026	250,000	165,000	45,000		460,000	
2/01/2027	260,000	170,000	45,000		475,000	
2/01/2028	265,000	175,000	45,000		485,000	
2/01/2029	275,000	180,000	50,000		505,000	
2/01/2030	285,000	190,000	50,000		525,000	
2/01/2031	295,000	190,000	50,000		535,000	
2/01/2032	300,000	200,000	50,000		550,000	
2/01/2033	<u>310,000</u>	<u>205,000</u>	<u>55,000</u>		<u>570,000</u>	
Total	\$2,725,000	\$1,795,000	\$470,000		\$4,990,000	

*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.

The City anticipates the debt service on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Utility Revenue Portion of the Bonds will be paid entirely from net revenues of the water and sanitary sewer systems ("utility revenues") which are owned and operated by the City.

The City anticipates that the debt service on the Tax Abatement Portion of the Bonds will be paid from abating the City's portion of taxes from specific parcels which will benefit from the development of the Project. Receipt of tax abatement revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the special assessments, utility revenues, tax abatement revenues and/ or taxes 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 additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. 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 judgment 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.

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 BerganKDV, 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 (special assessments, tax abatement revenues and utility 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	2019/20	2020/21	2021/22
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 \$1,880,000 - 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	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 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 \$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%	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 \$174,000 - .75% Over \$174,000 - .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 \$100,000 - 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

2021/22 Economic Market Value¹ \$1,262,365,091²

	2021/22 Assessor's Estimated Market Value	2021/22 Net Tax Capacity
Real Estate	\$1,078,331,800	\$11,518,988
Personal Property	<u>10,558,700</u>	<u>210,992</u>
Total Valuation	<u><u>\$1,088,890,500</u></u>	<u><u>\$11,729,980</u></u>
Less: Captured Tax Increment Tax Capacity ³		(289,155)
Taxable Net Tax Capacity		<u><u>\$11,440,825</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 87.05% 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 \$1,262,365,091.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$5,612,315	47.85%
Agricultural	71,404	0.61%
Commercial/industrial	4,119,877	35.12%
Public utility	74,834	0.64%
Railroad operating property	43,808	0.37%
Non-homestead residential	1,586,072	13.52%
Commercial & residential seasonal/rec.	10,678	0.09%
Personal property	<u>210,992</u>	<u>1.80%</u>
Total	<u><u>\$11,729,980</u></u>	<u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
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%
2021/22	1,088,890,500	956,557,300	11,729,980	11,440,825	3.01%

¹ Net Tax Capacity includes tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Wal-mart	Commercial	\$131,789	1.12%
Larson Manufacturing	Industrial	122,101	1.04%
Albert Lea Port Authority	Industrial	120,224	1.02%
Pratt Properties II LLC	Industrial	117,014	1.00%
Saint Paul Properties Fund IX	Industrial	107,474	0.92%
Minnesota Energy Resources Corporation	Utility	104,864	0.89%
ITC Midwest LLC	Personal Property	89,740	0.77%
Freeborn-Mower Coop Services	Commercial	89,610	0.76%
Mrs Gerry's Kitchen LLC	Industrial	77,060	0.66%
Home Depot	Commercial	<u>76,792</u>	<u>0.65%</u>
Total		<u><u>\$1,036,668</u></u>	<u><u>8.84%</u></u>

City's Total 2021/22 Net Tax Capacity \$11,729,980

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$17,785,000
Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)*	470,000
Total G.O. debt secured by tax increment revenues	90,000
Total G.O. debt secured by taxes	1,135,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	<u>13,031,000</u>
Total General Obligation Debt*	<u>\$32,511,000</u>

Lease Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
10/12/2016	\$209,800	Fire Department Equipment- City	3/15/2030	\$133,838

*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 07/14/2022)

PIR Fund Refunding Bonds Series 2010A			PIR Fund Bonds Series 2012A			PIR Fund Bonds Series 2013A			Improvement Refunding Bonds 1) Series 2014B			Improvement Bonds 2) Series 2015A		
Dated Amount	07/23/2010 \$3,260,000	02/01	07/26/2012 \$2,215,000	02/01	09/18/2013 \$5,335,000	02/01	09/09/2014 \$5,720,000	02/01	09/09/2014 \$5,720,000	02/01	07/16/2015 \$4,345,000	02/01		
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2022	0	7,088	0	2,096	0	15,683	0	7,181	0	0	0	38,081		
2023	95,000	12,513	195,000	2,096	560,000	23,805	200,000	12,113	300,000	305,000	305,000	70,163		
2024	100,000	9,100	5,513		570,000	8,123	205,000	7,556	210,000	2,625	320,000	59,588		
2025	105,000		1,838								325,000	50,213		
2026	105,000										90,000	40,538		
2027											90,000	34,313		
2028											90,000	31,613		
2029											95,000	28,838		
2030											95,000	25,988		
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		
	405,000	36,050	195,000	4,193	1,130,000	47,610	615,000	29,475			2,275,000	455,550		

- 1) This represents the \$3,720,000 Improvement Refunding Portion of the \$3,870,000 General Obligation Bonds, Series 2014B.
- 2) This represents the \$4,345,000 Improvement Portion of the \$4,900,000 General Obligation Bonds, Series 2015A.

-Continued on next page

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/14/2022)

	Improvement Bonds Series 2016A			Improvement Bonds Series 2017A			Improvement Bonds Series 2018A			Improvement Bonds 3) Series 2019A			Improvement Bonds 4) Series 2020A		
	Dated Amount	08/02/2016 \$3,510,000	08/17/2017 \$2,275,000	02/01	08/17/2018 \$2,430,000	02/01	06/28/2018 \$2,380,000	02/01	08/15/2019 \$2,380,000	02/01	08/04/2020 \$1,660,000	02/01			
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2022	0	18,600	0	22,050	0	26,625	0	37,400	0	21,150	0				
2023	360,000	33,600	230,000	40,650	235,000	49,725	220,000	70,400	155,000	39,975					
2024	365,000	26,350	230,000	33,750	245,000	42,525	230,000	61,400	155,000	35,325					
2025	370,000	19,000	240,000	26,700	245,000	35,175	235,000	52,100	160,000	30,600					
2026	380,000	11,500	250,000	19,350	250,000	27,750	245,000	42,500	165,000	25,725					
2027	385,000	3,850	260,000	11,700	260,000	20,100	255,000	32,500	170,000	20,700					
2028			260,000	3,900	265,000	12,225	265,000	22,100	175,000	15,525					
2029					275,000	4,125	275,000	12,675	180,000	10,200					
2030							285,000	4,275	185,000	5,650					
2031									190,000	1,900					
2032															
2033															
2034															
2035															
2036															
	1,860,000	112,900	1,470,000	158,100	1,775,000	218,250	2,010,000	335,350	1,535,000	206,750					

3) This represents the \$2,380,000 Improvement Portion of the \$2,565,000 General Obligation Bonds, Series 2019A.

4) This represents the \$1,660,000 Improvement Portion of the \$4,845,000 General Obligation Bonds, Series 2020A.

-Continued on next page

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/14/2022)

Improvement Bonds 5) Series 2021A			Improvement Bonds 6) Series 2022A		
Dated Amount	06/03/2021 \$1,790,000	07/14/2022 \$2,725,000*	Maturity	02/01	
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal
2022	0	15,335	0	0	211,289
2023	165,000	29,020	0	87,972	472,031
2024	165,000	25,720	240,000	80,645	3,187,031
2025	170,000	22,370	245,000	73,733	3,200,081
2026	175,000	18,920	250,000	66,493	2,300,000
2027	180,000	15,370	260,000	58,905	2,618,028
2028	180,000	11,770	265,000	50,964	2,810,000
2029	185,000	8,120	275,000	42,660	3,000,000
2030	190,000	5,320	285,000	33,909	3,145,000
2031	190,000	3,325	295,000	24,700	3,175,000
2032	190,000	1,140	300,000	15,105	3,200,000
2033			310,000	5,115	3,225,000
2034				415,000	3,250,000
2035				110,000	3,275,000
2036				115,000	3,300,000
				120,000	3,325,000
				2,250	3,350,000
				122,250	3,375,000
				0	3,400,000
					17,785,000
					2,300,837
					20,085,837

* Preliminary, subject to change.

- 5) This represents the \$1,790,000 Improvement Portion of the \$2,225,000 General Obligation Bonds, Series 2021A.
- 6) This represents the \$2,725,000 Improvement Portion of the \$4,990,000 General Obligation Bonds, Series 2022A.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 07/14/2022)

Tax Abatement Bonds 1)
Series 2022A

Dated Amount	07/14/2022 \$470,000*	Maturity	02/01	Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2023	0	15,179	0	2023	15,179	15,179	40,000	13,935	53,935	470,000	.00%	2023
2024	40,000	13,935	40,000	2024	40,000	13,935	40,000	12,795	52,795	430,000	8.51%	2024
2025	40,000	12,795	40,000	2025	40,000	11,551	45,000	10,213	55,213	390,000	17.02%	2025
2026	45,000	11,551	45,000	2026	45,000	8,851	45,000	8,851	53,851	345,000	26.60%	2026
2027	45,000	10,213	45,000	2027	45,000	7,390	50,000	7,390	57,390	300,000	36.17%	2027
2028	45,000	8,851	45,000	2028	45,000	5,828	50,000	5,828	55,828	255,000	45.74%	2028
2029	50,000	7,390	50,000	2029	50,000	4,240	50,000	4,240	54,240	205,000	56.38%	2029
2030	50,000	5,828	50,000	2030	50,000	2,628	50,000	2,628	52,628	155,000	67.02%	2030
2031	50,000	4,240	50,000	2031	50,000	908	55,000	908	55,908	105,000	77.66%	2031
2032	50,000	2,628	50,000	2032	50,000	0	55,000	0	55,000	55,000	88.30%	2032
2033	55,000	908	55,000	2033	55,000	0	93,517	0	93,517	0	100.00%	2033
	470,000				470,000					563,517		

* Preliminary, subject to change.

- 1) This represents the \$470,000 Tax Abatement Portion of the \$4,990,000 General Obligation Bonds, Series 2022A.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Increment Revenues
(As of 07/14/2022)

Tax Increment Bonds 1)
Series 2015A

Dated Amount	07/16/2015 \$555,000	Maturity	02/01	Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	0	1,800	0	2022	90,000	90,000	90,000	1,800	1,800	90,000	.00%	2022
2023	90,000	1,800	3,600	2023	90,000	90,000	90,000	1,800	91,800	0	100.00%	2023

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 07/14/2022)

Equipment Certificates Series 2014A			Equipment Certificates 1) Series 2019A			Equipment Certificates 2) Series 2019A			Street Reconstruction Bonds 1) Series 2020A			
Dated Amount	01/16/2014 \$1,285,000	02/01	08/15/2019 \$185,000	02/01	08/04/2020 \$915,000	02/01	08/04/2020 \$915,000	02/01	08/04/2020 \$915,000	02/01	08/04/2020 \$915,000	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Principal	Interest	Principal	Total P & I	Principal Outstanding	Calendar Year Ending	
2022	0	2,231	0	2,400	0	11,650	0	16,281	16,281	1,135,000	.00%	
2023	170,000	2,231	40,000	4,000	85,000	22,025	28,256	323,256	840,000	25.99%	2023	
2024			40,000	2,400	85,000	19,475	125,000	21,875	146,875	715,000	37.00%	2024
2025			40,000	800	90,000	16,850	130,000	17,650	147,550	585,000	48.46%	2025
2026					90,000	14,150	90,000	14,150	104,150	495,000	56.39%	2026
2027					95,000	11,375	95,000	11,375	106,375	400,000	64.76%	2027
2028					95,000	8,525	95,000	8,525	103,525	305,000	73.13%	2028
2029					100,000	5,600	100,000	5,600	105,600	205,000	81.94%	2029
2030					100,000	3,100	100,000	3,100	103,100	105,000	90.75%	2030
2031					105,000	1,050	105,000	1,050	106,050	0	100.00%	2031
	170,000	4,463	120,000	9,600	845,000	113,800	1,135,000	127,863	1,262,863			

- 1) This represents the \$185,000 Equipment Certificates portion of the \$2,565,000 General Obligation Bonds, Series 2019A.
- 2) This represents the \$915,000 Street Reconstruction Portion of the \$4,845,000 General Obligation Bonds, Series 2020A.

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 07/14/2022)

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		
Dated Amount	07/01/2007 \$1,040,000	02/01	02/26/2019 \$1,141,297	08/20	02/26/2019 \$466,767	08/20	02/01	08/04/2020 \$2,270,000	02/01	06/03/2021 \$435,000	02/01	06/03/2021 \$435,000	02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	0	1,980	42,000	5,185	17,000	2,120	0	28,850	0	3,743	0	3,743	0	
2023	90,000	1,980	43,000	9,950	17,000	4,070	205,000	54,625	40,000	7,085	40,000	7,085	6,285	
2024			43,000	9,520	18,000	3,900	215,000	48,325	40,000					
2025			44,000	9,090	18,000	3,720	220,000	41,800	40,000	5,485	40,000	5,485		
2026			44,000	8,650	18,000	3,540	225,000	35,125	45,000	4,635	45,000	4,635		
2027			45,000	8,210	18,000	3,360	230,000	28,300	45,000	3,735	45,000	3,735		
2028			45,000	7,760	18,000	3,180	240,000	21,250	45,000	2,835	45,000	2,835		
2029			45,000	7,310	19,000	3,000	245,000	13,975	45,000	1,935	45,000	1,935		
2030			46,000	6,860	19,000	2,810	255,000	7,750	45,000	1,260	45,000	1,260		
2031			46,000	6,400	19,000	2,620	260,000	2,600	45,000	788	45,000	788		
2032			47,000	5,940	19,000	2,430			45,000	270	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								
	90,000	3,960	1,037,000	118,245	424,000	48,390	2,095,000	282,600	435,000	38,055				

1) This represents the \$2,270,000 Utility Revenue Portion of the \$4,845,000 General Obligation Bonds, Series 2020A.

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

-Continued on next page

City of Albert Lea, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Utility Revenues
(As of 07/14/2022)

Utility Revenue Bonds Series 2021B			Utility Revenue Bonds Series 2022A		
Dated Amount	10/21/2021 \$7,155,000	02/01	Dated Amount	07/14/2022 \$1,795,000*	02/01
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal
2022	0	124,726	0	0	59,000
2023	240,000	156,763	0	57,948	635,000
2024	290,000	148,813	160,000	53,095	766,000
2025	300,000	139,963	160,000	48,535	782,000
2026	305,000	130,888	165,000	43,781	802,000
2027	315,000	121,588	170,000	38,798	823,000
2028	325,000	111,988	175,000	33,579	848,000
2029	335,000	102,088	180,000	38,120	869,000
2030	345,000	91,888	190,000	22,338	900,000
2031	355,000	84,050	190,000	16,305	915,000
2032	360,000	78,688	200,000	10,015	671,000
2033	365,000	73,250	205,000	3,383	636,000
2034	375,000	67,231	210,000	443,000	74,281
2035	380,000	60,625	215,000	448,000	66,995
2036	385,000	53,450	220,000	454,000	59,140
2037	395,000	45,650	225,000	464,000	50,650
2038	400,000	37,700	230,000	470,000	42,010
2039	410,000	29,600	235,000	481,000	33,210
2040	415,000	21,350	240,000	487,000	24,250
2041	425,000	12,950	245,000	497,000	15,130
2042	435,000	4,350	250,000	508,000	5,810
2043	7,155,000	1,697,595	1,795,000	355,896	73,000
					73,730
					0
					15,575,741
					13,031,000
					2,544,741

* Preliminary, subject to change.

3) This represents the \$1,795,000 Utility Revenue Portion of the \$4,990,000 General Obligation Bonds, Series 2022A.

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 issued for improvements 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 to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and 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 (includes the Tax Abatement Portion of the Bonds).

2021/22 Assessor's Estimated Market Value	\$1,088,890,500
Multiply by 3%	0.03
Statutory Debt Limit	<u>\$32,666,715</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(1,135,000)
Unused Debt Limit	<u><u>\$31,531,715</u></u>

OVERLAPPING DEBT¹

Taxing District	2021/22 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
County of:				
Freeborn	\$40,549,209	28.2147%	\$3,070,000	\$866,191
School District of: ³				
I.S.D. No. 241 (Albert Lea Area Schools)	20,605,684	53.9478%	34,513,932 ⁴	18,619,507
City's Share of Total Overlapping Debt				<u><u>\$19,485,698</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. It 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 Includes the 2020/21 Taxable Net Tax Capacity and Agricultural Credit values; the 2021/22 Agricultural Credit values are expected to be available in August 2022.

⁴ Currently, the State of Minnesota is paying approximately 13.40% of the principal and interest on the Albert Lea School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$4,624,867. 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 \$1,262,365,091	Debt/ Per Capita 18,492 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$17,785,000		
Tax Abatement Revenues*	470,000		
Tax Increment Revenues	90,000		
Taxes	1,135,000		
Utility Revenues*	<u>13,031,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$32,511,000		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(13,031,000)</u>		
Tax Supported General Obligation Debt*	\$19,480,000	1.54%	\$1,053.43
City's Share of Total Overlapping Debt ³	<u>\$19,485,698</u>	<u>1.54%</u>	<u>\$1,053.74</u>
Total*	<u>\$38,965,698</u>	<u>3.09%</u>	<u>\$2,107.17</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 \$2,500,000 general obligation debt for 2023 street and utility improvement projects in the next 12 months.

¹ 2020 U.S. Census population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

³ After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$2,495,014, the City's net overlapping debt is \$16,990,684, which results in a net overlapping debt/market value ratio of 1.35% and net overlapping debt/current population estimate ratio of \$918.81.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2017/18	\$6,308,652	\$6,200,019	\$6,296,477	99.81%
2018/19	6,296,268	6,170,606	6,275,332	99.67%
2019/20	6,516,029	6,369,353	6,481,251	99.47%
2020/21	6,668,678	6,504,543	6,504,543	97.54%
2021/22	6,941,330	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.

TAX CAPACITY RATES⁴

	2017/18	2018/19	2019/20	2020/21	2021/22
Freeborn County	59.057%	59.697%	62.573%	63.737%	63.069%
City of Albert Lea	64.866%	61.908%	60.064%	60.337%	60.676%
I.S.D. No. 241 (Albert Lea Area Schools)	27.113%	27.372%	27.749%	27.344%	25.869%
Shell Rock River Watershed	2.137%	2.071%	2.020%	1.991%	2.062%
Albert lea HRA	1.120%	1.069%	1.004%	0.981%	0.953%

Referendum Market Value Rates:

I.S.D. No. 241 (Albert Lea Area Schools)	0.24347%	0.23892%	0.23476%	0.23199%	0.23099%
--	----------	----------	----------	----------	----------

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Freeborn County.

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

² Collections are through March 18, 2022.

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

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

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.

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 a voting member. The City Manager and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 123 full-time, 12 part-time, and 26 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, 2023
International Association of Firefighters Local 1041A	December 31, 2023
Minnesota Public Employees Association (Police)	December 31, 2023
Minnesota Public Employees Association (segeants)	December 31, 2023
Minnesota Public Employees Association (Parks/Public Works)	December 31, 2023

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 \$648,650 as of December 31, 2021. 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 March 31, 2022)

Fund	Total Cash and Investments
General	\$6,058,013
Special Revenue	5,243,401
Debt Service	3,610,189
Capital Projects	7,074,249
Enterprise Funds	15,440,582
Internal Service Fund	703,361
Total Funds on Hand	<u>\$38,129,794</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				
	2018 Audited	2019 Audited	2020 Audited	2021 Unaudited	2022 Adopted Budget 1)
COMBINED STATEMENT					
Revenues					
Property taxes	\$6,634,082	\$6,435,864	\$6,490,042	\$6,494,573	\$6,639,500
Fees, licenses and permits	328,177	311,538	294,938	336,338	271,500
Intergovernmental	6,292,795	6,298,190	7,380,019	6,657,506	6,556,635
Charges for services	966,777	1,089,711	823,701	975,287	1,070,900
Fines and forfeitures	85,626	103,588	64,988	85,861	102,000
Investment earnings	72,171	234,667	201,734	(36,995)	185,000
Special assessments	13,351	2,619	0	0	10,000
Miscellaneous	54,505	75,716	52,097	33,028	40,146
Total Revenues	\$14,447,484	\$14,551,893	\$15,307,519	\$14,545,598	\$14,875,681
Expenditures					
Current:					
General government	\$1,951,182	\$1,975,176	\$2,054,861	\$2,101,907	\$2,136,920
Public safety	6,235,514	6,299,194	6,520,243	7,015,092	7,146,456
Public works	2,830,263	2,794,264	2,638,245	2,684,159	2,908,935
Culture and recreation	3,313,585	3,432,269	2,845,543	3,180,399	3,632,870
Community development	204,508	215,369	113,875	177,439	122,500
Capital outlay	56,503	13,316	0	24,632	0
Debt service	13,875	15,156	14,931	15,115	0
Total Expenditures	\$14,605,430	\$14,744,744	\$14,187,698	\$15,198,743	\$15,947,681
Excess of revenues over (under) expenditures	(\$157,946)	(\$192,851)	\$1,119,821	(\$653,145)	(\$1,072,000)
Other Financing Sources (Uses)					
Operating transfers in	\$1,830,884	\$1,967,000	\$1,940,500	\$2,002,000	\$2,002,000
Operating transfers out	(2,221,000)	(971,000)	(1,765,000)	(2,230,000)	(930,000)
Total Other Financing Sources (Uses)	(\$390,116)	\$996,000	\$175,500	(\$228,000)	\$1,072,000
Net changes in Fund Balances	(\$548,062)	\$803,149	\$1,295,321	(\$881,145)	\$0
General Fund Balance January 1	10,130,332	9,582,270	10,385,419	11,680,740	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$9,582,270	\$10,385,419	\$11,680,740	\$10,799,595	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$1,702,641	\$1,671,527	\$1,695,073	\$1,761,349	
Unassigned	7,879,629	8,713,892	9,985,667	9,038,246	
Total	\$9,582,270	\$10,385,419	\$11,680,740	\$10,799,595	

1) The 2022 budget was adopted on December 13, 2021.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 18,016 and a 2020 U.S. Census population of 18,492, 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 ²
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 ³
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
The City	Municipal government and services	161

Source: *Data Axle Reference Solutions, written and telephone survey, 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 Total number of employees is as of April 2021.

³ Includes the Lou-Rich Machine 310 employees, the Almco, Inc. 58 employees, and the Innovance 16 employees.

BUILDING PERMITS

	2018	2019	2020	2021	2022 ¹
<u>New Single Family Homes</u>					
No. of building permits	12	5	3	7	2
Valuation	\$3,845,500	\$1,509,212	\$1,061,645	\$2,791,966	\$77,500
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	1	0
Valuation	\$0	\$0	\$0	\$4,000,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	4	6	6	1
Valuation	\$976,934	\$1,613,415	\$16,574,037	\$20,994,445	\$375,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	582	636	573	595	154
Valuation	\$16,970,575	\$24,649,602	\$27,730,447	\$50,340,170	\$8,526,656

Source: The City.

¹ As of May 19, 2022.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	18,016
2020 U.S. Census population	18,492
Percent of Change 2010 - 2020	2.64%

Income and Age Statistics

	The City	Freeborn County	State of Minnesota	United States
2020 per capita income	\$27,857	\$30,760	\$38,881	\$35,384
2020 median household income	\$45,929	\$54,628	\$73,382	\$64,994
2020 median family income	\$56,799	\$66,008	\$92,692	\$80,069
2020 median gross rent	\$728	\$723	\$1,010	\$1,096
2020 median value owner occupied units	\$102,700	\$121,600	\$235,700	\$229,800
2020 median age	44.6 yrs.	44.5 yrs.	38.1 yrs.	38.2 yrs.
		State of Minnesota	United States	
City % of 2020 per capita income		71.65%		78.73%
City % of 2020 median family income		71.65%		70.94%

Housing Statistics

	The City		
	2010	2020	Percent of Change
All Housing Units	8,142	8,574	5.31%

Source: 2010 and 2020 Census of Population and Housing, and 2020 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	Freeborn County	State of Minnesota
2018	15,532		3.2%	3.1%
2019	15,612		3.5%	3.4%
2020	15,484		5.2%	6.3%
2021	15,199		3.6%	3.4%
2022, April	14,638		1.7%	1.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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

City of Albert Lea, Minnesota
Table of Contents

Introductory Section	Page	Combining and Individual Fund Financial Statements and Schedules	Page
Letter of Transmittal	3	Nonmajor Governmental Funds	
Elected Officials and Administration	7	Combining Balance Sheet	
Organizational Chart	9	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
GFOA Certificate of Achievement for Excellence in Financial Reporting	11	Nonmajor Special Revenue Funds	
Financial Section			
Independent Auditor's Report	15	Combining Balance Sheet	
Management's Discussion and Analysis	19	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgeted Special Revenue Funds	
Basic Financial Statements	34	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Statement of Net Position	36	Senior Center	
Government-Wide Financial Statements	38	Airport Fund	
Statement of Activities	41	Nonmajor Capital Projects Funds	
Fund Financial Statements	42	Combining Balance Sheet	
Governmental Funds	44	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Balance Sheet	45	Nonmajor Debt Service Funds	
Reconciliation of the Balance Sheet to the Statement of Net Position	46	Combining Balance Sheet	
Statement of Revenues, Expenditures, and Changes in Fund Balances	47	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	48	General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	49	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Proprietary Funds	50	Internal Service Funds	
Statement of Net Position	52	Combining Statement of Net Position	
Statement of Revenues, Expenses, and Changes in Net Position	52	Combining Statement of Revenues, Expenses, and Changes in Net Position	
Statement of Cash Flows	53	Combining Statement of Cash Flows	
Fiduciary Fund	53	Statistical Section (Unaudited)	
Statement of Fiduciary Net Position	53	Financial Trends	
Notes to Financial Statements	53	Net Position by Component	
		Change in Net Position	
		Fund Balances of Governmental Funds	
		Changes in Fund Balances of Governmental Funds	
		Revenue Capacity	
		Program Revenues by Function	
		Governmental Activities Tax Revenues by Source	
		Property Tax Levies and Collections	
		Certified Special Assessment Collections	
		Tax Capacity and Estimated Value of Taxable Property	
		Property Tax Rates and Tax Levies – Direct and Overlapping Governments	
		Debt Capacity	
		Principal Property Taxpayers	
		Ratios of Outstanding Debt by Type	
		Ratios of Net General Bonded Debt Outstanding	
		Legal Debt Margin Information	
Required Supplementary Information			
Schedule of Changes in Total OPEB Liability and Related Ratios	96		
Schedule of City's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	97		
Schedule of City's Proportionate Share of Net Pension Liability – Public Employees Police and Fire Retirement Fund	97		
Schedule of City Contributions – General Employees Retirement Fund	98		
Schedule of City Contributions – Public Employees Police and Fire Retirement Fund	98		
Notes to Required Supplementary Information	99		
Table Page			
		1	146
		2	148
		3	152
		4	154
		5	156
		6	158
		7	159
		8	161
		9	162
		10	164
		11	166
		12	168
		13	171
		14	172

City of Albert Lea, Minnesota
Table of Contents

Statistical Section (Unaudited) (Continued)		
Table	Page	
Debt Capacity (Continued)	15	174
Computation of Direct and Overlapping Debt		
Demographic and Economic Information	16	175
Schedule of Water Fund Bond Coverage	17	176
Schedule of Sewer Fund Bond Coverage	18	177
Demographic Statistics		
Operating Information		
Top 10 Water System Customers	19	179
Principal Employers	20	180
Full-Time Equivalent Employees by Function	21	182
Capital Asset Statistics by Function	22	184
Operating Indicators by Function	23	186

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 recent 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 balances 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

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

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 BergankKDV 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,

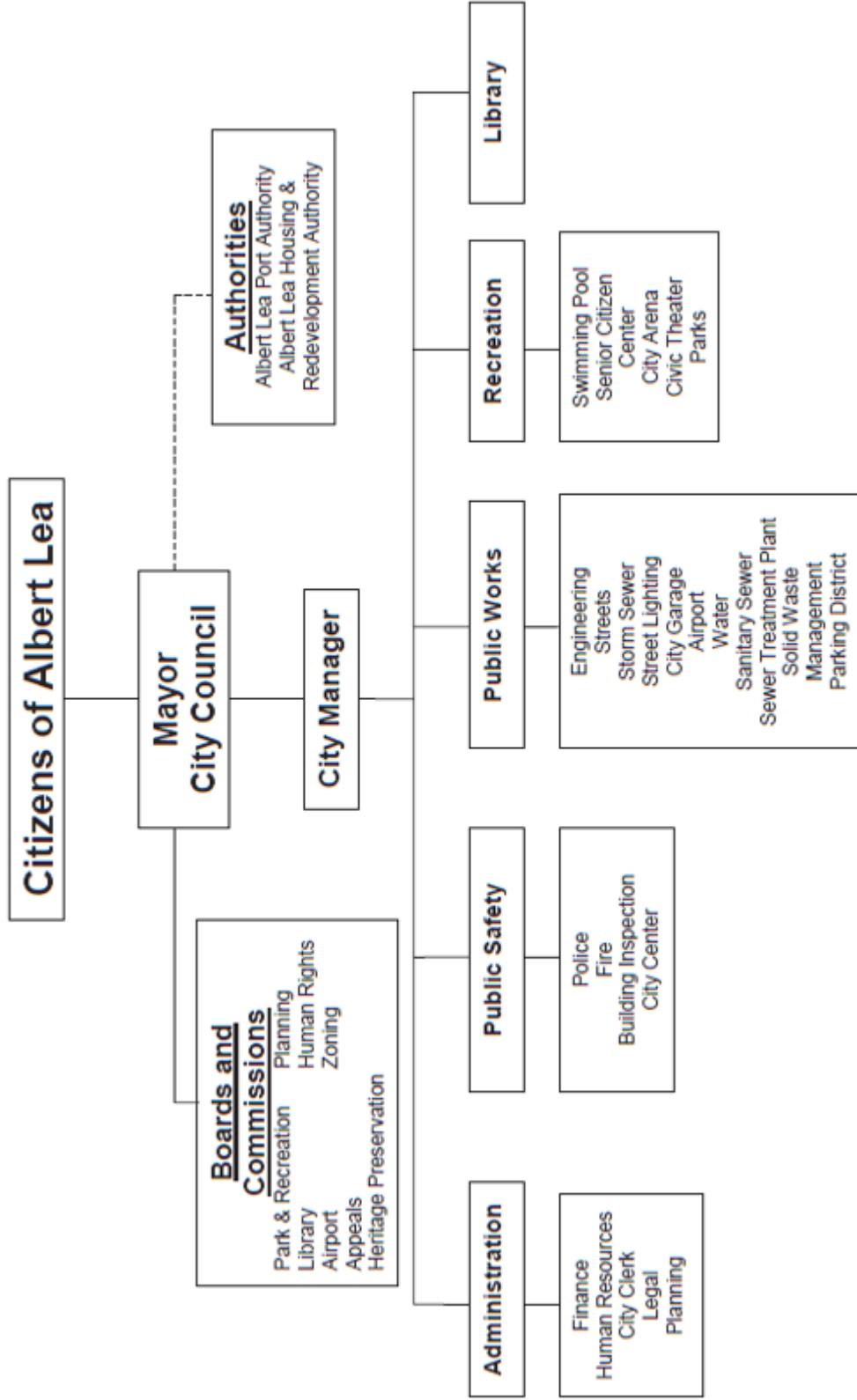


Patrick Ian Rigg
City Manager

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 Carlson	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**

FINANCIAL SECTION
CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

Presented to

**City of Albert Lea
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended
December 31, 2019

Christopher P. Moriel
Executive Director/CEO

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.

Bergan KDV Ltd.

Minneapolis, Minnesota
June 15, 2021

City of Albert Lea Management's Discussion and Analysis

City of Albert Lea Management's Discussion and Analysis

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 \$148,335,495 (*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 \$39,016,586, 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)

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

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

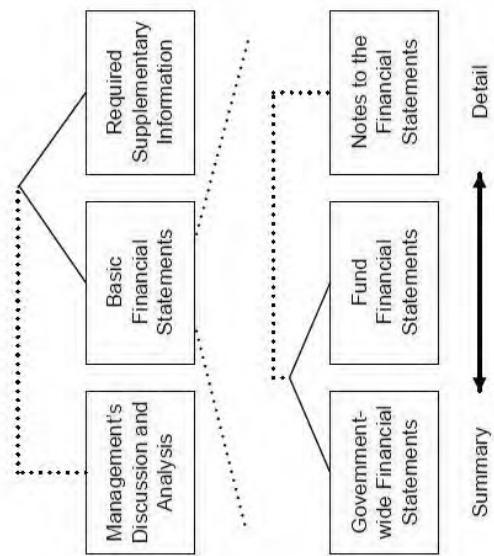


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

City of Albert Lea
Management's Discussion and Analysis

City of Albert Lea
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

	Fund Financial Statements		
	Government-Wide Statements	Governmental Funds	Proprietary 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
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, 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
Type of deferred outflows/inflows of resources information	All deferred outflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during 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

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 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.

City of Albert Lea
Management's Discussion and Analysis

City of Albert Lea
Management's Discussion and Analysis

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 exceed 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

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	\$ 41,910,291	\$ 43,311,311	(1,421,020)	\$ 15,914,277	\$ 13,626,494	2,287,783
Current and other assets	83,641,562	80,636,636	2,954,926	47,132,406	46,883,161	249,245
Capital assets	125,551,853	124,017,947	1,533,906	63,046,683	60,509,655	2,537,028
Total assets						
Deferred Outflows of Resources						
Deferred OPEB resources	105,544	133,407	(27,863)	18,407	24,640	(6,233)
Deferred pension resources	2,232,058	3,476,201	(1,253,143)	86,017	89,740	(3,723)
Total deferred outflows of resources	2,338,602	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	29,959,855	29,125,707	834,148	5,680,382	3,304,505	2,375,877
Total liabilities	33,027,155	33,391,415	(364,260)	6,092,108	3,775,775	2,316,333
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)	-	-	-
Unrestricted	11,359,395	9,745,316	1,614,079	12,242,153	11,505,802	646,351
Total net position	\$ 91,219,053	\$ 88,158,102	- 3,060,951	\$ 56,916,492	\$ 56,589,237	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:

- 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Albert Lea's Changes in Net Position

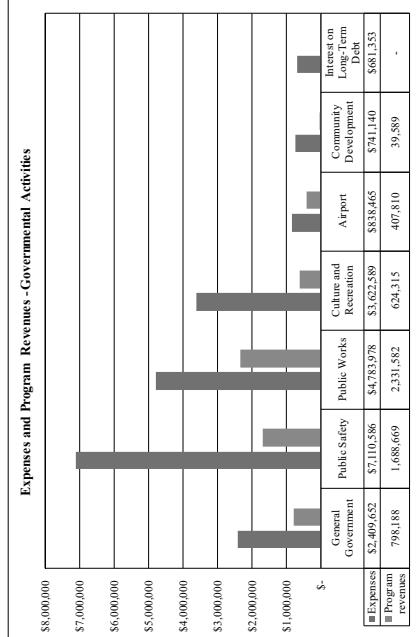
	Governmental Activities			Business-Type Activities				Business-Type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)		2020	2019	Increase (Decrease)
Revenues										
Program revenues	\$ 1,334,617	\$ 1,769,632	\$ (435,015)	\$ 8,168,049	\$ 7,985,050	\$ 182,999				
Charges for services										
Operating grants and contributions	1,550,687	656,566	894,121	7,570	13,711	(6,141)				
Capital grants and contributions										
General revenues	3,004,849	2,675,884	328,665	249,225	311,151	(289,449)				
Property taxes	6,616,537	6,285,386	361,775	18,573	-	-				
Tax increments	386,348	1,657,164	1,739,997	(73,333)	-	-				
Franchise taxes										
State grants and contributions										
not restricted to specific programs										
Unrestricted investment earnings	5,626,401	5,415,747	210,654	1,009,666	(395,200)	337,761	-	485,109	(147,348)	
Gain on disposal of capital assets	614,446	614,446	-							
Total revenues	<u>20,988,214</u>	<u>19,943,362</u>	<u>1,045,927</u>	<u>16,5396</u>	<u>16,205</u>	<u>- 11,602,344</u>	<u>-</u>	<u>8,762,058</u>	<u>-</u>	<u>(2,839,539)</u>
Expenses										
General government	2,409,652	2,466,797	(57,145)	-	-	-				
Public safety	7,110,586	6,835,380	257,006	-	-	-				
Public works	4,788,978	4,858,591	(74,613)	-	-	-				
Culture and recreation	3,622,889	4,219,744	(597,555)	-	-	-				
Airport	838,466	719,033	119,322	-	-	-				
Community development	741,140	597,515	83,338	-	-	-				
Interests on long-term debt	-	-	-	1,769,255	-	-				
Water	-	-	-	4,233,447	4,116,664	116,783				
Sewer	-	-	-	142,238	138,355	3,883				
Solid waste	-	-	-	-	-	-				
Total expenses	<u>20,187,763</u>	<u>20,312,221</u>	<u>(125,539)</u>	<u>6,145,010</u>	<u>6,001,054</u>	<u>- 143,556</u>	<u>-</u>	<u>6,001,054</u>	<u>-</u>	<u>-</u>
Increase in Net Assets before transfers	800,451	(369,899)	1,170,350	2,617,695	5,600,690	(2,982,995)				
Transfers	<u>2,260,500</u>	<u>2,187,600</u>	<u>- 73,500</u>	<u>(2,260,500)</u>	<u>(2,187,600)</u>	<u>- 73,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>3,060,951</u>	<u>1,817,101</u>	<u>1,243,850</u>	<u>357,195</u>	<u>3,413,690</u>	<u>(3,056,495)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, January 1	<u>88,158,102</u>	<u>86,341,001</u>	<u>1,817,101</u>	<u>56,559,237</u>	<u>53,145,547</u>	<u>3,413,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, December 31	<u>\$ 91,219,053</u>	<u>\$ 88,158,102</u>	<u>\$ 3,060,951</u>	<u>\$ 56,591,633</u>	<u>\$ 56,559,237</u>	<u>\$ 3,571,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Albert Lea
Management's Discussion and Analysis

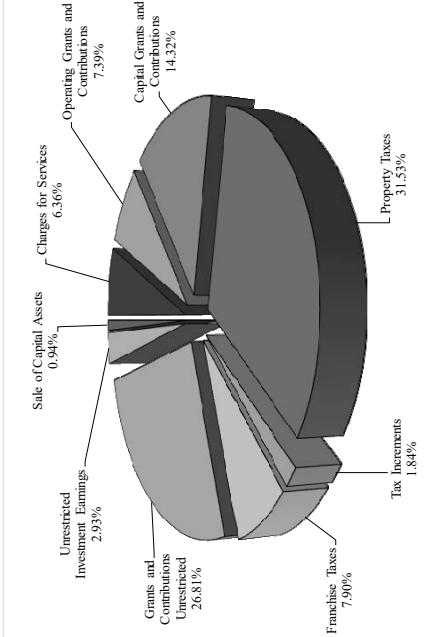
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

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



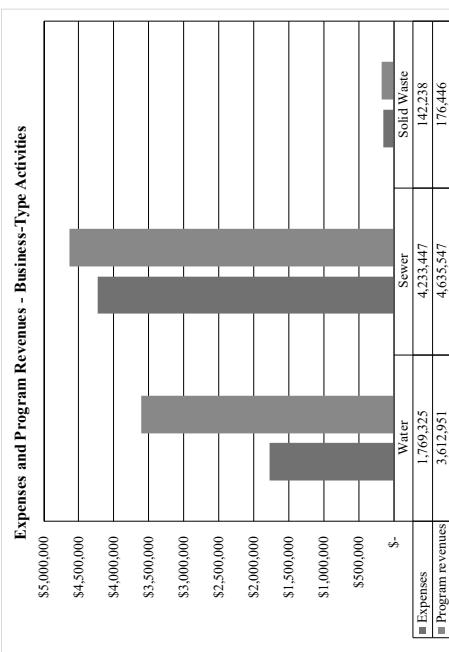
Revenues by Source - Governmental Activities



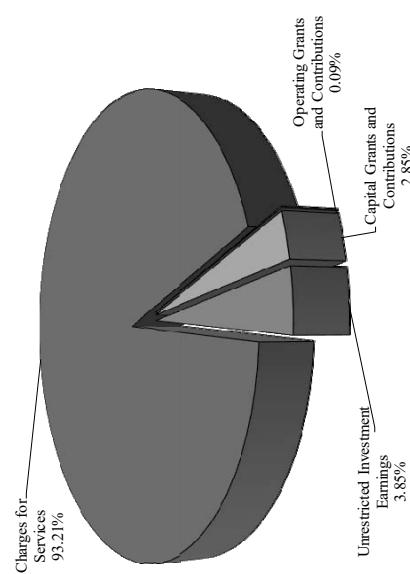
City of Albert Lea
Management's Discussion and Analysis

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



City of Albert Lea Management's Discussion and Analysis

City of Albert Lea Management's Discussion and Analysis

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 financial 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 24.0% of this total amount (\$6,893,007) 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	

卷之三

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	\$ 896,276	\$ 1,015,566	\$ (119,290)

Debt Service Reserve The Debt Service Reserve had a total fund balance of \$806,776 and balance decreased \$110,300 from

2019 G.O. Bonds
The Debt Service Reserve had a total fund balance of \$896,216. Fund balance decreased \$119,290 from 2019 due to transfers out to other debt service funds.

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 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 \$ (1,418,620) \$ (1,460,466) \$ 41,846
 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 revenues from prior years. The deficit will be funded with future tax increment revenues.

2020 CIP Projects \$ (7,120) \$ (7,120) Fund expenditures for construction projects exceeded revenues and bond proceeds received in 2020. (See accompanying notes for details.)

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

卷之三

- 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,

- Major capital asset events during the current fiscal year included the roads, highways and bridges.
 - New fire station
 - Water tower construction and rehabilitation
 - Horseshoe sliplining
 - Purchases of motor grader, toolcat, tractor, and other vehicles
 - Various street improvement projects
 - Council chamber upgrades
 - Purchase of shovels, backhoes, and

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

	Business-Type Activities					
	Governmental Activities			Business-Type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 6,660,088	\$ 6,660,088	\$ -	\$ 300,463	\$ 300,463	\$ -
Construction in progress	3,521,980	12,908,731	-9,386,751	3,908,211	4,661,358	-693,147
Buildings	18,356,120	7,220,810	(11,135,305)	16,636,453	17,437,928	-781,475
Improvements other than buildings	48,191,852	47,713,142	(1,206,710)	25,022,167	21,948,542	(1,037,553)
Equipment	61,183,522	61,183,860	-338	1,185,777	1,288,870	-103,093
Total	\$ 274,145	\$ 20,666,226	\$ (20,645,081)	\$ 17,123,105	\$ 14,893,151	\$ (20,245)

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	
	2020	2019 (Decrease)	2020	2019 (Decrease)
PRI Assessment Bonds	\$ 19,655,000	\$ 19,670,000	\$ 15,000	\$ -
Equipment certificate Notes payable	555,000	700,000	145,000	150,000
Revenue Bonds	148,769	163,700	14,931	-
PFA Loans	-	-	-	-
Total	<u>\$ 20,358,769</u>	<u>\$ 20,533,700</u>	<u>\$ 174,931</u>	<u>\$ 3,917,783</u>
				<u>\$ 1,924,286</u>
				<u>\$ (1,993,497)</u>

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	Housing		Redevelopment Authority
				Port Authority	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	125,551,853	63,046,683	188,598,536	14,125,645	3,650,161	
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	2,328,602	104,424	2,433,026	-	-	-
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	Housing Redevelopment Authority		
				Port Authority	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	<u>11,359,395</u>	<u>12,242,153</u>	<u>23,601,548</u>	<u>7,600,046</u>	<u>771,040</u>	
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	1,832,658	613,780	1,194,662	76,834
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>	<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>-</u>	<u>-</u>
<u>(14,297,610)</u>	<u>2,279,934</u>	<u>(12,017,676)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(48,972)	-		
<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,972)</u>	<u>52,618</u>	<u></u>	<u></u>
-	-	-	(48,972)	52,618		
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>	<u></u>	<u></u>
3,060,951	357,195	3,418,146	(21,028)	60,291		
88,158,102	56,559,237	144,717,339	9,288,691	3,021,502		
<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>	<u></u>	<u></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	<u>\$ 12,545,410</u>	<u>\$ 2,642,631</u>	<u>\$ 2,953,586</u>
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	<u>622,099</u>	<u>-</u>	<u>-</u>
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	<u>242,571</u>	<u>1,746,355</u>	<u>1,823,625</u>
Fund Balances			
Nonspendable	1,695,073	-	-
Restricted	-	896,276	1,129,961
Committed	-	-	-
Assigned	-	-	-
Unassigned	9,985,667	-	-
Total fund balances	<u>11,680,740</u>	<u>896,276</u>	<u>1,129,961</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 12,545,410</u></u>	<u><u>\$ 2,642,631</u></u>	<u><u>\$ 2,953,586</u></u>

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		
\$ -	\$ 3,994	\$ 191,670	\$ 22,915,174	\$ 41,252,465		
\$ -	\$ -	\$ 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		
1,348,931	1,419,630	262,880	710,626	4,364,166		
-	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		
(1,348,931)	(1,418,620)	(71,210)	18,148,370	29,016,586		
\$ -	\$ 3,994	\$ 191,670	\$ 22,915,174	\$ 41,252,465		

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.	1,281,204
Total net position - governmental activities	\$ 91,219,053

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	<u>15,307,519</u>	<u>178,848</u>	<u>343,286</u>
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	<u>14,187,698</u>	<u>917</u>	<u>477,057</u>
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	<u>(1,765,000)</u>	<u>(497,221)</u>	<u>-</u>
Total other financing sources (uses)	<u>175,500</u>	<u>(297,221)</u>	<u>200,000</u>
Net change in fund balances	1,295,321	(119,290)	66,229
Fund Balances			
Beginning of year	<u>10,385,419</u>	<u>1,015,566</u>	<u>1,063,732</u>
End of year	<u>\$ 11,680,740</u>	<u>\$ 896,276</u>	<u>\$ 1,129,961</u>

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	
121,005	42,239	553,097	4,531,932	21,077,926	
			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	
608	393	3,468,167	7,892,408	26,027,248	
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)	
		2,843,860	2,393,247	5,315,386	
120,397	41,846	(71,210)	(967,229)	366,064	
(1,469,328)	(1,460,466)	-	19,115,599	28,650,522	
\$ (1,348,931)	\$ (1,418,620)	\$ (71,210)	\$ 18,148,370	\$ 29,016,586	

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

\$ 3,060,951

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
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	<u>14,000</u>	<u>14,000</u>	<u>14,931</u>	<u>931</u>
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	\$ -	\$ -	1,295,321	\$ 1,295,321
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>	

See notes to financial statements.

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
			Solid Waste	Totals	
	Water (601)	Sewer (602)	(603)		
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					
Transfers out					
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				(17,685)	
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	
	Solid Waste			Total		
	Water (601)	Sewer (602)	(603)			
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			
	Solid Waste			Total				
	Water (601)	Sewer (602)	(603)					
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

	Sales Tax
	Custodial Fund
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

	Sales Tax
	Custodial Fund
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 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)

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.

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.

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 occur 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Descriptive Statistics: (Continued)

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

Educational Fund This fund account for sales tax in a strictly educational connectivity.

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

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

- 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.

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 I – 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 I – 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 I – 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 I – 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, SAIIF, 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	Investment Maturities		
		Fair Value	Less than One Year	1-3 Years
Brokered certificates of deposit	N/A	\$ 1,753,227	\$ 1,500,000	\$ 991,821
Government securities	A	9,964,393	-	2,135,550
U.S. treasury obligations	N/A	3,086,783	-	6,328,842
Money market accounts	N/A	26,243,816	-	3,086,783
Total		\$ 41,048,219	\$ 27,743,816	\$ 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	
\$ 41,048,223	\$ 877,049	\$ 1,513,324	\$ 2,390,373	
Deposits	-	-	41,048,223	
Investments	2,530	-	2,530	
Petty cash				
Total deposits and investments	<u>\$ 41,050,753</u>	<u>\$ 877,049</u>	<u>\$ 1,513,324</u>	<u>\$ 43,441,126</u>
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	
\$41,050,753	\$ 818,245	\$ 1,513,324	\$43,392,322	
Statement of Net Position	58,804	-	58,804	
Cash and investments				
Restricted cash				
Total deposits and investments	<u>\$ 41,050,753</u>	<u>\$ 877,049</u>	<u>\$ 1,513,324</u>	<u>\$ 43,441,126</u>

NOTE 4 – LOANS RECEIVABLE/CONTRACT FOR DEED

B. 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 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 Pickercell 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			\$ 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
Total advance from/to other funds			\$ 1,482,760

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				
	General	Debt Service Reserve	2015 G.O. Bonds	Governmental Funds	Total
General	\$ -	\$ 200,000	\$ -	\$ 1,565,000	\$ 1,765,000
Debt Service Reserve	-	-	200,000	-	297,221
2020 CIP Projects	-	-	-	13,761	13,761
Nonmajor governmental funds	-	-	-	1,706,613	1,706,613
Water	808,250	-	-	-	918,250
Sewer	1,066,250	-	-	110,000	1,276,250
Solid Waste	66,000	-	-	210,000	66,000
Total	<u>\$ 1,940,500</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 3,902,505</u>	<u>\$ 6,243,095</u>

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.

NOTE 7 – CAPITAL ASSETS

Primary Government

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

	Beginning Balance			Decreases		Ending Balance
	Governmental activities	Capital assets not being depreciated	Land	Construction in progress	Total capital assets not being depreciated	
Governmental activities	\$ 6,660,088	\$ 5,691,511	\$ 6,660,088	\$ 6,660,088	\$ 5,691,511	\$ 6,660,088
Capital assets not being depreciated	12,908,731	-	12,908,731	-	12,908,731	3,571,980
Land	-	5,691,511	-	5,691,511	-	5,691,511
Construction in progress	-	15,078,262	-	15,078,262	-	15,078,262
Total capital assets not being depreciated	19,568,819	5,691,511	19,568,819	5,691,511	19,568,819	10,182,068
Capital assets being depreciated	-	-	-	-	-	-
Buildings and structures	19,448,116	11,806,133	19,448,116	11,806,133	19,448,116	31,254,249
Improvements other than buildings	83,511,870	3,344,613	83,511,870	3,344,613	83,511,870	86,856,483
Equipment	15,887,478	1,221,944	15,887,478	1,221,944	15,887,478	421,252
Total capital assets being depreciated	118,847,464	16,372,690	118,847,464	16,372,690	118,847,464	134,298,902
Less accumulated depreciation for	-	-	-	-	-	-
Buildings and structures	12,227,301	670,828	12,227,301	670,828	12,227,301	12,898,129
Improvements other than buildings	35,798,728	2,137,903	35,798,728	2,137,903	35,798,728	37,936,631
Equipment	9,703,618	1,205,690	9,703,618	1,205,690	9,703,618	10,504,648
Total accumulated depreciation	57,729,647	4,014,421	57,729,647	4,014,421	57,729,647	61,339,408
Total capital assets being depreciated, net	61,117,817	12,358,269	61,117,817	12,358,269	61,117,817	73,459,494
Governmental activities capital assets, net	<u>\$ 80,656,636</u>	<u>\$ 18,049,780</u>	<u>\$ 80,656,636</u>	<u>\$ 18,049,780</u>	<u>\$ 80,656,636</u>	<u>\$ 83,641,562</u>
Depreciation expense was charged to functions/programs of the governmental activities as follows:	-	-	-	-	-	-
Governmental activities	-	-	-	-	-	-
General government	\$ 217,410	-	\$ 217,410	-	\$ 217,410	\$ 217,410
Public safety	520,036	-	520,036	-	520,036	520,036
Public works	2,087,796	-	2,087,796	-	2,087,796	2,087,796
Culture and recreation	595,179	-	595,179	-	595,179	595,179
Airport	594,000	-	594,000	-	594,000	594,000
Total depreciation expense - governmental activities	<u>\$ 4,014,421</u>	<u>\$ 4,014,421</u>	<u>\$ 4,014,421</u>	<u>\$ 4,014,421</u>	<u>\$ 4,014,421</u>	<u>\$ 4,014,421</u>

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	\$ 851,593	\$ 1,544,740	\$ 300,463 3,968,211
Construction in progress	<u>4,661,358</u>			
Total capital assets not being depreciated	<u>4,961,821</u>	<u>851,593</u>	<u>1,544,740</u>	<u>4,268,674</u>
Capital assets being depreciated				
Buildings and structures	36,117,982	2,411,308	-	36,117,982
Improvements other than buildings	41,078,633	130,752	-	43,489,941
Machinery and equipment	<u>4,055,156</u>			<u>4,186,508</u>
Total capital assets being depreciated	<u>81,252,371</u>	<u>2,542,060</u>	<u>-</u>	<u>83,794,431</u>
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	<u>2,766,886</u>	<u>234,505</u>	<u>-</u>	<u>3,001,391</u>
Total accumulated depreciation	<u>39,331,031</u>	<u>1,599,668</u>	<u>-</u>	<u>40,930,699</u>
Total capital assets being depreciated, net	<u>41,921,340</u>	<u>942,392</u>	<u>-</u>	<u>42,863,732</u>
Business-type activities capital assets, net	<u>\$ 46,883,161</u>	<u>\$ 1,793,985</u>	<u>\$ 1,544,740</u>	<u>\$ 47,132,406</u>
Depreciation expense was charged to functions/programs of the business-type activities as follows:				
Business-type activities				
Water				\$ 365,073
Sewer				<u>1,233,820</u>
Solid Waste				<u>775</u>
Total depreciation expense - business-type activities				<u>\$ 1,599,668</u>

City of Albert Lea
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset activity for the Port Authority for the year ended December 31, 2020, was as follows:				
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	<u>4,903,504</u>	<u>234,045</u>	<u>-</u>	<u>5,187,549</u>
Total capital assets being depreciated, net	<u>4,833,213</u>	<u>(150,445)</u>	<u>(8,190)</u>	<u>4,674,578</u>
Business-type activities capital assets, net	<u>\$ 5,096,146</u>	<u>\$ (150,445)</u>	<u>\$ (8,190)</u>	<u>\$ 4,937,511</u>
Depreciation expense was charged to functions/programs of the Port Authority as follows:				
Business-type activities				
Port Authority				\$ 284,045

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	4,818,369	114,349	-	4,932,718
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

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

Depreciation evidence was charged to functions/programmes of the HRA as follows:

Business-type activities Housing and Redevelopment

Total business-type activities
Total all long-term liabilities

69

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

	Issue Date	Interest Rates	Original Issue	Maturity	Final Balance	End of Year
Governmental activities						
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	02/01/23	130,000	
G.O. Improvement Bonds, Series 2012A	07/01/12	1.10%-2.15%	2,215,000	02/01/23	560,000	
G.O. Improvement Bonds, Series 2013A	09/18/13	2.00%-2.85%	5,355,000	02/01/24	2,205,000	
G.O. Bonds, Series 2014B	06/09/14	2.00%-2.50%	3,750,000	02/01/25	12,000	
G.O. Bonds, Series 2015A	07/16/15	3.00%-4.00%	4,355,000	02/01/21	2,940,000	
G.O. Bonds, Series 2015A - TIF Portion	07/16/15	3.00%-4.00%	555,000	02/01/36	260,000	
G.O. Bonds, Series 2016A	08/02/16	2.00%	3,510,000	02/01/27	2,555,000	
G.O. Bonds, Series 2017A	08/17/18	3.00%	2,275,000	02/01/28	1,900,000	
G.O. Bonds, Series 2018A	06/28/18	2.78%	2,430,000	02/01/28	2,210,000	
G.O. Bonds, Series 2019A	08/15/19	3.00%-4.00%	2,380,000	02/01/30	2,280,000	
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					20,210,000	
Loan payable					22,089,776	
Albert Lea Township Fire Department	2017	0.00%	209,800	20/30	148,769	
Unamortized bond premium/discount payable					606,683	
Compensated absences payable					1,124,324	
Total governmental activities						
Business-type activities						
Revenue Bonds						
G.O. Water Revenue Bonds Series 2007B	07/01/07	4.22%-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					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					1,162,783	
Unamortized bond premium/discount payable					246,730	
Compensated absences payable					196,079	
Total business-type activities						
Total long-term liabilities						
					4,360,592	
					\$ 4,360,592,336	

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.

	Issue Date	Interest Rates	Original Issue Date	Final Issue Date	Balance at Maturity	Balance at End of Year
Notes and mortgages	02/20/09	0.00%	\$ 120,000	02/20/39	\$ 120,000	
MIFIA/PARIF Note	02/20/09	4.00%	43,866	02/26/30	25,578	
USDA Rural Development Loan	03/23/11	0.00%	200,000	03/23/31	<u>200,000</u>	
					<u>345,578</u>	
Total notes and mortgages payable					<u>18,881</u>	
Compensated absences					<u>\$ 364,459</u>	
Total long-term liabilities					<u>\$ 22,031,947</u>	<u>\$ 3,580,104</u>

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.

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	<u>\$ 22,031,947</u>	<u>\$ 3,580,104</u>	<u>\$ (3,522,275)</u>	<u>\$ 22,089,776</u>	<u>\$ 3,636,730</u>
Business-type activities					
Bonds payable	\$ 560,000	\$ 227,000	\$ (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					
Compensated absences payable	209,402	117,421	(130,744)	196,079	118,860
Business-type activities long-term liabilities	<u>\$ 2,129,128</u>	<u>\$ 2,740,823</u>	<u>\$ (509,359)</u>	<u>\$ 4,360,592</u>	<u>\$ 448,860</u>

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 \$30,320, 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

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	\$ 364,856	\$ 18,093	\$ (18,490)	\$ 364,459	\$ 13,977
long-term liabilities					

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 Pickerel Park loan principle to the City of Albert Lea	500,000	-	-	500,000	-
Compensated absences payable	6,965	-	-	6,965	-
Business-type activities	\$ 4,954,243	\$ -	\$ (164,852)	\$ 4,789,391	\$ 175,011
long-term liabilities					

D. Minimum Debt Payments
Minimum annual principal and interest payments required to retire long-term liabilities:

Primary Government (Continued)

	Governmental Activities		
Year Ending December 31,	G.O. Bonds Principal	G.O. Equipment Certificates Interest	Total
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	800
2031-2035	830,000	76,919	-
2036	120,000	2,250	-
Total	\$ 19,655,000	\$ 2,313,423	\$ 555,000
			\$ 33,822

Total

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

	Governmental Activities			Business-Type Activities		
	Loan Payable		Interest	G.O. Revenue Bonds		Interest
	Principal	Interest		Principal	Interest	
Year Ending December 31,						
2021	\$ 15,000	\$ 15,069	-	\$ 195,000	\$ 75,570	
2022	15,000	-	-	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	

City of Albert Lea
Notes to Financial Statements

NOTE 3 – 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	<u>\$ 345,578</u>	<u>\$ 5,351</u>

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	<u>\$ 4,782,426</u>	<u>\$ 1,881,194</u>

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.

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.

The Port Authority leases 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 \$57,916 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
Notes to Financial Statements

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	<u>1,396,800</u>
	<u>\$ 3,344,200</u>
Total	

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.

City of Albert Lea
Notes to Financial Statements

NOTE 9 – FUND BALANCE

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

	Major Funds		Capital Project Funds	
	Debt Service Reserve		TIF 5-13	
	General Fund	2015 G.O. Bonds	Larson Manufacturing	
Nonspendable	\$ 39,680	\$ -	\$ -	\$ -
Inventory	193,086	-	-	-
Prepaid items	1,462,307	-	-	-
Advances to other funds	1,695,073	-	-	-
Total nonspendable				
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 Renewal	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	-	-	-	-	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					
Total fund balances	(1,418,620)	(71,210)	(233,299)	6,893,607	\$ 29,016,586

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.

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 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

City of Albert Lea
Notes to Financial Statements

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 members 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 of the net pension liability 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

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

Total

\$ 4,358,697	
	134,511
	<u>\$ 4,493,208</u>

City of Albert Lea
Notes to Financial Statements

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	<u>186,116</u>	<u>-</u>
Total	<u><u>\$ 326,683</u></u>	<u><u>\$ 206,503</u></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 <u>December 31,</u>	Pension Expense Amount
2021	\$ (233,789)
2022	(17,576)
2023	80,121
2024	105,308
Total	<u><u>\$ (65,936)</u></u>

City of Albert Lea
Notes to Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 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 not meet the definition of a special funding situation and \$9 million in direct 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.

City of Albert Lea
Notes to Financial Statements

City of Albert Lea
Notes to Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

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	<u>303,329</u>	<u>-</u>
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	\$ (1,297,351)

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
Inflation	2.25 % Per Year	2.50 % Per year
Salary increase	3.00 % Per Year	3.25 % Per year
Investment rate of return	7.50 %	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and dependents 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, actuarial 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 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 retirements for males and females.

City of Albert Lea
Notes to Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)	Asset Class	Target Allocation	Long-Term
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 weighing 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)

General Employees Fund (Continued)	Asset Class	Target Allocation	Long-Term
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.			

General Employees Fund (Continued)	Asset Class	Target Allocation	Long-Term
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.			

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:

City's proportionate share of the General Employees Fund net pension liability	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
\$ 6,985,480	\$ 4,358,697	\$ 2,191,813	
1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)	
\$ 7,343,986	\$ 3,672,045	\$ 634,157	

City of Albert Lea
Notes to Financial Statements

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:

<u>Contribution Amount</u>	<u>Employee</u>	<u>Percentage of Covered Payroll</u>	<u>Employer</u>	<u>Required Rate</u>
\$ 1,869	\$ 1,869	5%	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 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 \$ 8,082 to the plan.

City of Albert Lea
Notes to Financial Statements

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	2
Total	129

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

N/A

2.50%

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	\$ 1,110,583
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	(18,082)
	48,544
Balances at December 31, 2020	\$ 1,159,127

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 1.75%	Current 2.75%	1% increase 2.75%
	\$ 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 (5.4% decreasing to 3.0%)	Current (6.4% decreasing to 4.0%)	1% increase (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	\$ 105,869	\$ 545,696
Changes of assumptions	18,082	48,201
Contributions between measurement date and reporting date		
Total	<u>\$ 123,951</u>	<u>\$ 593,897</u>

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	Total
December 31,	
2021	\$ (74,428)
2022	(74,428)
2023	(74,428)
2024	(74,428)
2025	(86,282)
Thereafter	<u>(104,034)</u>
Total	<u>\$ (488,028)</u>

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.

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

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 lessees 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	\$ 72,138	\$ 83,830	\$ 80,605
Service cost	57,640	57,253	43,858
Interest	-	(721,604)	(2,838)
Difference between expected and actual experience	103,810	60,353	(54,999)
Changes of assumptions	(26,610)	(30,260)	(18,082)
Benefit payments	206,978	(550,428)	48,544
Net change in total OPEB liability	<u>1,454,032</u>	<u>1,661,010</u>	<u>1,110,583</u>
Beginning of year			
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

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,	Proportionate Share (Percentage) of the Net Pension Liability/(Asset)	City's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	State's Proportionate Share (Amount) (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share (Amount) (Amount) of the Net Pension Liability Associated with the City				
2015	0.0785%	\$ 4,068,278	\$ 4,068,278	\$ 5,031,160	\$ 5,031,160	\$ 4,068,278	\$ 4,068,278	\$ 5,031,160
2016	0.0727%	5,902,880	23,003	5,925,883	4,508,507	130,93%	78,19%	68,91%
2017	0.0720%	4,596,432	57,791	4,654,223	4,641,964	99,02%	75,90%	75,93%
2018	0.0736%	4,083,026	31,226	4,114,252	4,943,653	82,59%	80,23%	84,06%
2019	0.0729%	4,030,478	125,161	4,155,639	5,157,320	78,15%	79,06%	-
2020	0.0727%	4,358,697	87,099	4,445,796	5,185,307	-	-	-

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,	Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability Associated with the City	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share (Amount) (Amount) of the Net Pension Liability Associated with the City				
2015	0.3120%	\$ 3,545,050	\$ 3,545,050	\$ 3,545,050	\$ 3,545,050	\$ 2,851,421	\$ 2,851,421	\$ 124,33%
2016	0.3070%	12,320,444	-	12,320,444	2,961,198	12,320,444	2,961,198	12,320,444
2017	0.2940%	3,969,350	-	3,969,350	3,022,082	3,969,350	3,022,082	3,969,350
2018	0.2887%	3,051,262	-	3,051,262	3,042,562	3,051,262	3,042,562	3,051,262
2019	0.2976%	3,128,077	-	3,128,077	3,070,159	3,128,077	3,070,159	3,128,077
2020	0.2805%	3,672,045	\$ 87,099	3,759,144	3,098,034	3,759,144	3,098,034	3,759,144

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 Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 376,725	\$ 376,725	\$ 376,725	\$ 5,023,000	7.50%
2016	\$ 396,870	\$ 396,870	\$ 396,870	\$ 5,291,600	7.50%
2017	\$ 390,596	\$ 390,596	\$ 390,596	\$ 5,207,947	7.50%
2018	\$ 378,743	\$ 378,743	\$ 378,743	\$ 5,049,907	7.50%
2019	\$ 397,432	\$ 397,432	\$ 397,432	\$ 5,296,093	7.50%
2020	\$ 372,232	\$ 372,232	\$ 372,232	\$ 4,963,093	7.50%

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 Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 483,547	\$ 483,547	\$ 483,547	\$ 2,984,858	16.20%
2016	\$ 547,054	\$ 547,054	\$ 547,054	\$ 3,376,877	16.20%
2017	\$ 583,424	\$ 583,424	\$ 583,424	\$ 3,601,383	16.20%
2018	\$ 495,809	\$ 495,809	\$ 495,809	\$ 3,060,549	16.20%
2019	\$ 540,883	\$ 540,883	\$ 540,883	\$ 3,191,050	16.95%
2020	\$ 606,657	\$ 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.

See notes to required supplementary information.

See notes to required supplementary information.

City of Albert Lea
Notes to Required Supplementary Information

City of Albert Lea
Notes to Required Supplementary Information

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 1.10% 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.
- 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.
-
- 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.
-
- 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.

Changes in Plan Provisions

- 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 7.9% 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.

Changes in Plan Provisions

- 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.
- 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	-	-	-	-
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	-	(255,299)	-	(255,299)
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	888,998	203,755	1,031,432	1,031,432
Intergovernmental	50,103	-	-	1,092,753
Charges for services	-	-	-	50,103
Fines and forfeitures	5,348	-	-	5,348
Miscellaneous	-	-	-	-
Investment income	64,292	208,532	66,844	339,668
Contributions and donations	255	28,588	-	255
Other	22,779	663,979	2,836,178	51,367
Total revenues	<u>1,031,775</u>	<u>663,979</u>	<u>2,836,178</u>	<u>4,531,932</u>
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	140,678	221,559	-	362,237
General government	1,991,609	188,738	-	2,180,347
Public safety	-	873,922	-	873,922
Public works	-	179,574	-	197,385
Culture and recreation	17,811	171,838	-	171,838
Community development	-	-	-	-
Airport	14,724	-	-	14,724
Total expenditures	<u>3,033,733</u>	<u>2,111,573</u>	<u>2,747,102</u>	<u>7,892,408</u>
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)	<u>673,357</u>	<u>1,202,295</u>	<u>517,595</u>	<u>2,393,247</u>
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	<u>\$ 6,852,589</u>	<u>\$ 7,095,604</u>	<u>\$ 4,200,177</u>	<u>\$ 18,148,370</u>

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

	Special Revenue				
	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	
Accounts receivable	-	-	-	-	
Interest receivable	-	-	-	-	
Loans receivable	-	140,1827	173,600	-	
Due from other governments	-	-	-	500,000	
Total assets	<u>\$ 116,056</u>	<u>\$ 1,831,141</u>	<u>\$ 218,443</u>	<u>\$ 593,972</u>	
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	
Deposits payable	-	-	-	-	
Contracts payable	-	-	-	-	
Due to other governments	3,646	-	-	-	
Total liabilities	<u>3,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balances					
Restricted	112,410	218,443	593,972	-	
Committed	-	183,1141	-	-	
Total fund balances	<u>112,410</u>	<u>1,831,141</u>	<u>218,443</u>	<u>593,972</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 116,056</u>	<u>\$ 1,831,141</u>	<u>\$ 218,443</u>	<u>\$ 593,972</u>	

Special Revenue

	Senior Center (210)	Airport (225)	(230)	Economic Development (232)	Housing Development (233)	Fire Pension (250)	Police Pension (251)	Total Nonmajor Special Revenue Funds
	\$ 159,892	\$ 19,532	\$ 645,074	\$ 214,393	\$ 506,181	\$ 1,582,290	\$ 3,811,547	
	-	(800)	2,505	-	-	2,255	1,678	1,705
	-	-	-	732,858	-	-	-	3,953
	-	613,859	-	-	-	-	-	2,308,285
	<u>\$ 159,892</u>	<u>\$ 632,591</u>	<u>\$ 1,380,437</u>	<u>\$ 214,393</u>	<u>\$ 508,436</u>	<u>\$ 1,583,968</u>	<u>\$ 7,239,329</u>	

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)	Senior Center (210)	1999 Small Cities Grant (207)	Airport (225)	Economic Development (230)	Housing Development (232)
Revenues					\$	\$	\$	\$
Intergovernmental	-	-	-	12,751	-	370,458	-	-
Charges for services	-	-	-	-	37,352	-	-	-
Fines and forfeitures	5,348	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Investment income	-	-	-	3,752	4,674	9,921	6,204	14,898
Contributions and donations	-	-	-	255	-	-	-	24,843
Other	-	-	-	-	-	11,941	-	-
Total revenues	5,348	10,638	10,638	16,758	412,484	21,862	6,204	24,843
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
6,382	6,382	-	-	-	-	-	-	13,690
Public safety	-	-	-	-	-	-	-	12,375
Public works	-	-	-	-	74,698	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	165,096	-	-
Airport	-	-	-	-	236,389	-	-	-
Capital outlay								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	1,967,960
Culture and recreation	-	-	-	-	-	-	-	23,649
Airport	-	-	-	-	14,724	-	-	-
Total expenditures	6,382	10,638	10,638	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	(143,234)	6,204
								(11,181)
Other Financing Sources (Uses)								
Proceeds from sale of capital asset	-	-	-	-	85,000	75,000	300,000	-
Transfers in	-	-	-	-	-	-	1,600,000	-
Transfers out	-	-	-	-	85,000	75,000	300,000	-
Total other financing sources (uses)	-	-	-	-	-	-	-	1,713,357
Net change in fund balances	(1,034)	10,638	(230)	-	27,060	236,371	156,766	(253,195)
Fund Balances								
Beginning of year	113,444	1,820,503	218,673	593,972	132,060	198,898	1,068,671	208,189
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	
	COVID (260)	Revenue Funds	
Revenues			
Intergovernmental			
Charges for services	\$ 518,540	\$ 888,998	
Fines and forfeitures	-	5,348	
Miscellaneous	-	-	
Investment income			
Contributions and donations	-	64,292	
Other	-	255	
Total revenues	518,540	1,031,775	
Expenditures			
Current			
Culture and recreation			
Excess of revenues over (exunder) expenditures			
General government	19,204	19,204	
Public safety	81,098	113,545	
Public works	17,810	17,810	
Community development	15,339	90,037	
Community development	226,600	391,926	
Airport	-	236,389	
Capital outlay			
General government	140,678	140,678	
Public safety	-	1,991,609	
Culture and recreation	17,811	17,811	
Airport	-	14,724	
Total expenditures	518,540	3,033,733	
Excess of revenues over (under) expenditures	-	(2,401,958)	
Other Financing Sources (uses)			
Proceeds from sale of capital asset			
Transfers in	-	113,357	
Total other financing sources (uses)	-	2,060,000	
Net change in fund balances	-	(1,328,601)	
Fund Balances			
Beginning of year	\$ -	8,181,190	
End of year	\$ 6,852,589	\$ 132,060	

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	
	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget -
Revenues			
Charges for services	\$ 55,000	\$ 55,000	\$ 12,751
Investment income	2,000	2,000	3,752
Contributions and donations	2,000	2,000	255
Other	500	500	(1,745)
Total revenues	59,500	59,500	16,758
Expenditures			
Culture and recreation	164,859	164,859	74,698
Excess of revenues over (exunder) expenditures	(105,359)	(105,359)	(90,161)
Other Financing Sources			
Transfers in	85,000	85,000	85,000
Net change in fund balances	\$ (20,359)	\$ (20,359)	\$ 27,060
Fund Balances			
Beginning of year			132,060
End of year			\$ 159,120

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		2019	
	Budgeted Amounts	Final	Variance with Final Budget - Over (Under)	Actual Amounts
Revenues				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 290,458	\$ 180,518
Charges for services	40,000	40,000	37,552	(2,648)
Investment income	-	-	4,674	4,674
Other	-	-	-	3,025
Total revenues	\$ 120,000	\$ 120,000	\$ 412,484	\$ 292,484
Expenditures				
Current				
Airport	119,400	119,400	236,389	116,989
Capital outlay				173,816
Airport	2,000	2,000	14,724	12,724
Total expenditures	121,400	121,400	251,113	129,713
Excess of revenues over (under) expenditures	(1,400)	(1,400)	161,371	162,771
				(176,905)
Other Financing Sources				
Transfers in				
	75,000	75,000	75,000	-
Net change in fund balances	\$ 73,600	\$ 73,600	\$ 236,371	\$ 162,771
Fund Balances				
Beginning of year				71,000
End of year				(105,905)

	Capital Projects		
	Broadway Ridge Renewal Grant (227)	Capital Improvement (401)	Capital Project Donations (404,405)
Assets			
Cash and investments	\$ 389,161	\$ 2,898,797	\$ 34,526
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
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	-	-	-
Assigned	389,161	3,054,154	68,545
Unassigned	-	-	766,335
Total fund balances	389,161	3,054,154	68,545
Total liabilities and fund balances			766,335
	\$ 389,161	\$ 3,062,904	\$ 68,545
			\$ 782,903

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

Continued

City of Albert Lea
Nominal Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended December 31, 2010

Continued

		Capital Projects				
		Broadway Ride Renewal Grant(227)	Capital Improvement (401)	Capital Project Donations (404,405)	Building Maintenance (406)	
Revenues		\$ -	\$ 19,175	\$ -	\$ -	
Tax increment						
Intergovernmental						
Miscellaneous						
Investment income		12,105	89,097	6	21,962	
Other		10,000	-	18,041	-	
Total revenues		22,105	108,272	18,047	21,962	
Expenditures						
Current						
General government						2,524
Public safety						-
Public works						-
Culture and recreation						-
Community development						7,756
Debt service						-
Principal						-
Interest and other charges						-
Capital outlay						-
General government						211,531
Public safety						-
Public works						-
Culture and recreation						42,526
Community development						64,320
Total expenditures		62,500	1,563	-	-	328,657
Excess of revenues over (under) expenditures		(40,395)	47,823	18,047	(306,695)	
Other Financing Sources (Uses)						
Proceeds from sale of capital asset						-
Transfers in						300,000
Transfers out						-
Total other financing sources (uses)		25,000	-	-	-	300,000
Net change in fund balances		(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

**City of Albert Lea
Non-major Debt Service Funds
Combining Balance Sheet
December 31, 2020**

Continued

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

Debt Service							Total
							Nonmajor Debt Service Funds
							2020 G.O. Bonds (\$20)
2014A G.O.							
Equipment Certificate (310)	PIR and Refunding Bonds Series (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		\$ 4,172,438
-	182,212	541,369	380,240	490,498	12,294		12,294
\$ 166,509	\$ 182,212	\$ 1,439,878	\$ 1,142,319	\$ 1,378,712	\$ 1,357,045		\$ 4,074,623
Assets							
Cash and investments							
Taxes receivable - current							
Special assessment receivable							
Total assets							\$ 836,770
Liabilities							
Accounts payable							
Total liabilities							\$ 3,000
Deferred Inflows of Resources							
Unavailable revenue - special assessments							
Fund Balances							
Restricted							
Total deferred inflows of resources							
and fund balances							
\$ 836,770							\$ 8,259,355

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 (311)	2016 G.O. Bonds (313)	2017 G.O. Bonds (314)	2018 G.O. Bonds (315)	2019 G.O. Bonds (316)
Revenues						\$ 193,764	\$ 38,045	\$ 96,905	\$ 353,292	\$ 140,939	\$ 163,634
Taxes		\$ 55,385	26,284	64,948	117,057		\$ 56,045	128,516	120,254	117,376	228,131
Special assessments											131,129
Miscellaneous											
Investment income											
Total revenues		<u>249,174</u>	<u>64,329</u>	<u>161,853</u>	<u>472,435</u>		<u>1,772</u>	<u>18,731</u>	<u>16,651</u>	<u>19,893</u>	<u>7,628</u>
Expenditures							<u>137,214</u>	<u>238,146</u>	<u>362,896</u>	<u>277,844</u>	<u>301,903</u>
Debt service											
Principal		160,000	65,000	190,000	525,000	115,000	485,000	335,000	205,000	210,000	210,000
Interest and other charges			6,202	14,376	66,127	14,765	34,622	56,159	64,784	71,459	94,937
Total expenditures		<u>193,671</u>	<u>71,202</u>	<u>204,376</u>	<u>591,127</u>	<u>129,765</u>	<u>519,622</u>	<u>391,159</u>	<u>269,784</u>	<u>281,459</u>	<u>94,937</u>
Excess of revenues over (under) expenditures						55,503	(6,873)	(42,523)	(118,692)	7,449	(291,476)
Other Financing Sources (uses)										(28,263)	8,060
Transfers in											19,444
Net change in fund balances											271,951
Fund Balances											
Beginning of year		<u>75,211</u>	<u>1,010</u>	<u>914</u>	<u>508,145</u>		<u>159,060</u>	<u>43,468</u>	<u>934,488</u>	<u>753,501</u>	<u>872,467</u>
End of year		<u>\$ 130,714</u>	<u>\$ 73</u>	<u>\$ 934</u>	<u>\$ 389,453</u>		<u>\$ 166,509</u>	<u>\$ 734</u>	<u>\$ 906,225</u>	<u>\$ 761,561</u>	<u>\$ 891,911</u>
											<u>\$ 723,806</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

		With Comparative Actual Amounts for the Year Ended December 31, 2019	
		2020	
		Budgeted Amounts	
		Original	Final
		Amounts	Amounts
Debt Service			
Total Nonmajor Debt Service Funds			
2020 G.O. Bonds (220)	\$ 214,438	\$ 1,737,902	
Taxes			
Special assessments	58	66,844	
Miscellaneous			
Investment income			
Total revenues	214,496	2,836,78	
Expenditures			
Debt service			
Principal			
Interest and other charges			
Total expenditures			
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			
End of year	\$ 228,257	\$ 4,200,177	
Expenditures			
Current			
General government			
City Council			
Personnel services			
Supplies			
Other services and charges			
Total city council	162,647		
City Manager			
Personnel services			
Supplies			
Other services and charges			
Total City Manager	402,663		
City Clerk			
Personnel services			
Supplies			
Other services and charges			
Total City Clerk	127,412		

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)
Expenditures (Continued)					
General government (continued)					
Current (continued)					
Elections					
Personnel services	\$ 30,000	\$ 30,000	\$ 33,165	\$ 31,65	\$ -
Supplies	3,300	3,300	4,717	4,417	-
Other services and charges	3,550	3,550	6,924	3,274	700
Total elections	36,850	36,850	44,706	7,856	700
Finance					
Personnel services	403,045	403,045	404,667	1,622	397,254
Supplies	7,400	7,400	5,089	(2,311)	6,111
Other services and charges	96,620	96,620	89,302	(7,318)	78,238
Total finance	509,065	507,065	499,058	(8,007)	481,603
City attorney					
Personnel services	229,406	229,406	227,558	(1,848)	225,464
Supplies	900	900	1,201	301	2,393
Other services and charges	43,250	43,250	26,070	(17,180)	30,263
Total city attorney	273,556	273,556	254,829	(18,727)	258,120
Personnel administration					
Personnel services	356,580	356,580	171,216	(185,364)	176,576
Supplies	250	250	279	29	300
Other services and charges	48,865	48,865	62,721	13,836	55,398
Total personnel administration	405,695	405,695	234,216	(171,479)	232,274
Zoning and planning					
Personnel services	122,675	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	(2,229)	19,028
Supplies	11,600	11,600	6,531	(5,069)	8,347
Other services and charges	132,220	132,220	93,196	(39,024)	114,999
Total city center	166,956	166,956	120,634	(46,322)	142,285
Communications					
Personnel services	79,061	79,061	79,417	356	78,130
Supplies	5,950	5,950	11	(5,939)	3,54
Other services and charges	9,560	9,560	2,340	(7,220)	7,576
Total communications	94,571	94,571	81,768	(12,803)	86,260
Information technology					
Supplies	1,000	1,000	500	(500)	500
Other services and charges	71,500	71,500	69,946	(1,554)	68,457
Total information technology	72,500	72,500	70,446	(2,054)	68,957
Total general government	2,391,350	2,391,350	2,054,861	(336,489)	1,975,176

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)
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Police					
Personnel services	\$ 3,338,269	\$ 3,338,269	\$ 3,189,866	\$ (148,403)	\$ 3,183,821
Supplies	130,550	130,550	87,358	(43,192)	98,506
Other services and charges	385,767	385,767	438,729	52,962	356,577
Total police	3,854,586	3,854,586	3,715,953	(138,633)	3,638,904
Fire					
Personnel services	1,920,961	1,920,961	1,975,040	54,079	1,942,485
Supplies	105,150	105,150	85,647	(19,503)	88,294
Other services and charges	143,650	143,650	95,286	(48,364)	111,156
Total fire	2,169,761	2,169,761	2,155,973	(13,788)	2,141,955
Inspection services					
Personnel services	337,654	337,654	331,825	(5,829)	302,518
Supplies	13,300	13,300	8,993	(4,307)	11,057
Other services and charges	179,760	179,760	122,435	(57,315)	31,201
Total inspection services	530,704	530,704	463,253	(67,451)	344,776
Community services					
Personnel services	150,463	150,463	153,299	2,836	147,299
Supplies	5,500	5,500	3,384	(4,116)	2,139
Other services and charges	176,458	176,458	204,955	20,495	93,986
Total community services	317,421	317,421	185,064	8,006	173,549
Total public safety	6,731,509	6,731,509	6,520,243	(211,266)	6,299,194
Public works					
Engineering					
Personnel services	606,918	606,918	600,455	(6,463)	586,453
Supplies	10,075	10,075	6,400	(3,675)	9,454
Other services and charges	44,180	44,180	33,336	(10,844)	38,818
Total engineering	661,173	661,173	640,191	(20,982)	634,725
Street maintenance					
Personnel services	514,248	514,248	464,075	(50,173)	508,896
Supplies	320,200	320,200	271,726	(48,474)	260,065
Other services and charges	97,450	97,450	111,053	13,603	81,913
Total street maintenance	931,898	931,898	846,854	(85,044)	850,874
Snow and ice removal					
Personnel services	341,625	341,625	306,266	(35,359)	373,659
Supplies	153,000	153,000	97,624	(55,376)	141,557
Other services and charges	22,410	22,410	7,865	(14,545)	24,761
Total snow and ice removal	517,035	517,035	411,755	(105,280)	539,977

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

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	Variance with	Original	Final	Actual
		Final Budget -	Amounts	Over/(Under)	Amounts
Expenditures (Continued)					
Current (Continued)					
Public works (Continued)					
Storm drainage					
Personnel services	\$ 131,407	\$ 131,407	\$ 119,333	\$ (12,074)	\$ 128,219
Supplies	36,800	36,800	30,111	(6,689)	48,878
Other services and charges	74,160	74,160	51,780	(22,380)	67,224
Total storm drainage	<u>242,367</u>	<u>242,367</u>	<u>201,224</u>	<u>(41,143)</u>	<u>244,321</u>
Street lighting					
Supplies	32,900	32,900	21,368	(11,532)	11,680
Other services and charges	250,400	250,400	248,630	(1,770)	258,336
Total street lighting	<u>283,300</u>	<u>283,300</u>	<u>269,998</u>	<u>(13,302)</u>	<u>269,916</u>
City garage					
Personnel services	172,202	172,202	131,375	(40,927)	153,124
Supplies	33,700	33,700	41,574	7,874	31,579
Other services and charges	69,700	69,700	95,274	25,574	69,748
Total city garage	<u>275,702</u>	<u>275,702</u>	<u>268,223</u>	<u>(7,479)</u>	<u>254,451</u>
Total public works	<u>2,911,475</u>	<u>2,911,475</u>	<u>2,638,245</u>	<u>(273,230)</u>	<u>2,794,264</u>
Culture and recreation					
Recreation administration					
Personnel services	256,180	256,180	245,655	(10,525)	255,839
Supplies	13,700	13,700	18,292	(11,871)	7,645
Other services and charges	27,025	27,025	8,802	(18,233)	20,739
Total recreation administration	<u>296,905</u>	<u>296,905</u>	<u>256,286</u>	<u>(40,619)</u>	<u>284,223</u>
Arena					
Personnel services	267,033	267,033	220,166	(46,867)	248,134
Supplies	41,700	41,700	23,423	(18,277)	29,415
Other services and charges	210,285	210,285	154,020	(56,265)	214,191
Total arena	<u>519,018</u>	<u>519,018</u>	<u>397,609</u>	<u>(121,409)</u>	<u>491,740</u>
Swimming pool					
Personnel services	147,469	147,469	10,172	(137,297)	125,908
Supplies	34,725	34,725	198	(34,527)	30,669
Other services and charges	45,190	45,190	11,511	(33,679)	43,119
Total swimming pool	<u>227,734</u>	<u>227,734</u>	<u>21,381</u>	<u>(205,503)</u>	<u>199,696</u>
Park and recreation programs					
Personnel services	56,324	56,324	46,487	(9,837)	45,066
Supplies	17,500	17,500	9,225	(8,275)	14,981
Other services and charges	16,950	16,950	1,291	(1,659)	11,389
Total park and recreation programs	<u>90,774</u>	<u>90,774</u>	<u>57,003</u>	<u>(33,771)</u>	<u>71,436</u>

	2020		2019		
	Budgeted Amounts	Variance with	Original	Final	Actual
		Final Budget -	Amounts	Over/(Under)	Amounts
Expenditures (Continued)					
Current (Continued)					
Culture and recreation (Continued)					
Theater					
Supplies	\$ 1,500	\$ 1,500	\$ 1,286	\$ (214)	\$ 807
Other services and charges	26,540	26,540	16,625	(9,915)	21,995
Total theater	<u>28,040</u>	<u>28,040</u>	<u>17,911</u>	<u>(10,129)</u>	<u>22,892</u>
Parks					
Personnel services	886,126	886,126	778,566	(107,560)	864,927
Supplies	187,500	187,500	146,791	(40,709)	156,037
Other services and charges	148,220	148,220	121,371	(26,849)	125,369
Total parks	<u>1,221,846</u>	<u>1,221,846</u>	<u>1,046,728</u>	<u>(75,118)</u>	<u>1,146,333</u>
Forestry					
Personnel services	98,984	98,984	68,269	(30,715)	102,990
Supplies	30,200	30,200	26,712	(3,488)	27,237
Other services and charges	28,400	28,400	25,269	(3,131)	30,540
Total forestry	<u>157,584</u>	<u>157,584</u>	<u>120,250</u>	<u>(37,534)</u>	<u>160,767</u>
Library					
Personnel services	850,573	850,573	724,404	(126,169)	814,773
Supplies	146,100	146,100	133,972	(12,128)	139,023
Other services and charges	100,660	100,660	69,499	(31,161)	101,476
Total library	<u>1,097,333</u>	<u>1,097,333</u>	<u>927,875</u>	<u>(169,558)</u>	<u>1,055,272</u>
Total culture and recreation	<u>3,638,884</u>	<u>3,638,884</u>	<u>2,845,543</u>	<u>(793,341)</u>	<u>3,432,269</u>
Community development					
Community development services	-	-	-	-	-
Personnel services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Total community development services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property acquisitions					
Personnel services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Total property acquisitions	<u>38,450</u>	<u>38,450</u>	<u>49,250</u>	<u>-</u>	<u>10,800</u>
Economic development					
Personnel services	66,500	66,500	63,812	(2,688)	65,823
Supplies	-	-	-	-	-
Total economic development	<u>66,500</u>	<u>-</u>	<u>63,812</u>	<u>(2,688)</u>	<u>65,823</u>
Total community development	<u>104,950</u>	<u>104,950</u>	<u>113,875</u>	<u>8,925</u>	<u>215,369</u>
Total current expenditures	<u>15,778,168</u>	<u>15,778,168</u>	<u>14,172,767</u>	<u>(1,605,401)</u>	<u>14,716,272</u>

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	Variance with	
	Original	Actual	Final Budget -
	Final	Amounts	Over (Under)
Expenditures (Continued)			
Debt Service			
Principal	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,931</u>
Capital outlay			
Public safety	-	-	-
Culture and recreation	-	-	-
Total capital outlay	<u>15,792,168</u>	<u>15,792,168</u>	<u>14,187,698</u>
Total expenditures	<u>(975,500)</u>	<u>(975,500)</u>	<u>(1,604,470)</u>
Excess of revenues over (under) expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>(965,000)</u>	<u>(965,000)</u>	<u>(1,765,000)</u>
Net change in fund balances	<u>975,500</u>	<u>975,500</u>	<u>175,000</u>
Fund Balances			
Beginning of year	<u>-</u>	<u>1,295,321</u>	<u>\$ 1,295,321</u>
End of year	<u>10,385,419</u>	<u>10,385,419</u>	<u>9,582,270</u>
	<u><u>\$ 11,680,740</u></u>	<u><u>\$ 10,385,419</u></u>	<u><u>\$ 10,385,419</u></u>

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

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

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

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

	Health Workers Comp Insurance (703)	Property Insurance (704)	Total	Health Workers Comp Insurance (703)	Property/ Liability Insurance (705)	Total
Operating revenues						
Miscellaneous	\$ 37,064	\$ 28,804	\$ 65,868	\$ (74,325)	\$ (48,189)	\$ (123,144)
				37,064	28,804	65,868
Operating expenses						
Other services and charges	76,481	62,771	139,252	(37,261)	(20,015)	(57,276)
	(39,417)	(33,967)	(73,384)			
Nonoperating revenues						
Investment income	12,796	7,343	20,139	12,796	7,343	20,139
Miscellaneous revenue	3,000	-	3,000			
Total nonoperating revenues	15,796	7,343	23,139			
Nonoperating expenses						
Investment income	(23,621)	(26,624)	(50,245)	(21,465)	(12,672)	(34,137)
Miscellaneous revenue						
Change in net position						
January 1	429,796	254,778	684,574	429,950	255,513	685,463
December 31	\$ 406,175	\$ 228,154	\$ 634,329	\$ 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

STATISTICAL SECTION (UNAUDITED)

CITY OF ALBERT LEA

ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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

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

Table I

	Fiscal Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Fiscal Year
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	17,053,998	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	11,339,395	
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	17,053,998	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	\$ 144,771,339	\$ 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					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	6,853,401	7,110,586	6,835,580
Public works	3,415,753	3,611,704	3,095,469	4,116,528		4,186,823	3,448,159	3,420,520	4,012,349	4,783,970	4,858,591
Culture and recreation	3,691,049	3,760,834	3,792,532	3,709,010		3,694,414	3,614,932	4,006,557	3,631,350	4,219,744	3,622,589
Airport	-	-	562,700	608,776		546,100	578,473	1,125,612	620,411	741,140	719,033
Community development	335,129	931,118	295,666	405,733		506,248	1,135,736	803,201	449,376	597,651	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	681,553
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	20,187,753
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	4,116,604	4,233,447
Solid waste	186,934	172,647	140,180	109,784		130,506	140,752	145,871	104,009	138,355	142,388
Parking maintenance district	36,912	29,449	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	5,339,984	6,126,890	6,001,654	6,145,010
Total expenses	\$ 21,815,213	\$ 21,955,186	\$ 22,223,969	\$ 23,122,142		\$ 22,600,052	\$ 24,564,476	\$ 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	599,338	671,474	948,089		896,380	955,216	790,990	937,108	1,038,574	881,717
Other activities	2,342,409	783,030	766,247	551,154		604,438	63,346	574,252	593,197	656,566	1,550,687
Operating grants and contributions	6,520,439	5,378,884	5,688,443	2,353,280		5,239,304	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											
Business-type activities											
Charges for services	1,894,512	1,991,866	2,150,345	2,263,536		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	4,230,589	4,250,258	4,236,478	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	-	-	-	-		-	-	187	-	13,711	7,570
Operating grants and contributions	69,681	7,000	209,670	37,807		192,197	59,774	35,686	18,034	3,118,474	249,325
Capital grants and contributions	5,856,321	5,918,054	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 governmental activities program revenue											
Total program revenues	15,809,827	13,243,075	14,159,957	11,725,384		14,823,172	14,247,941	13,615,875	14,932,965	16,219,317	14,315,097

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

Continued

Continued
Table 2

		Fiscal Year					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	\$ 1,494,433	\$ 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)	\$ (10,095,258)	\$ (12,017,676)	
General Revenues and Other											
Changes in Net Position											
Governmental activities											
Taxes		\$ 4,738,668	\$ 5,226,320	\$ 4,814,108	\$ 4,764,012	\$ 4,859,193	\$ 4,790,563	\$ 4,938,679	\$ 4,849,730	\$ 4,878,635	
Property taxes - general purposes		157,448	139,638	705,172	1,073,458	1,200,097	1,398,161	1,388,212	1,552,317	1,737,902	
Property taxes - debt service		-	-	157,535	265,279	133,114	125,907	354,442	367,775	386,348	
Tax increments		-	-	-	-	1,465,245	1,603,182	1,659,893	1,798,752	1,730,997	
Franchise and lodging taxes		1,708,025	1,499,375	1,485,581	1,512,332	5,282,535	5,316,055	5,246,746	5,410,140	5,415,747	
Unrestricted grants and contributions		4,876,678	4,754,646	4,730,810	5,169,457	763,231	400,659	402,765	431,089	5,626,401	
Unrestricted investment earnings		395,112	141,885	(643,608)	77,571	51,070	56,707	33,956	84,402	1,009,666	
Sale of capital assets		-	-	-	8,159	-	-	-	-	614,346	
Miscellaneous		536,230	549,710	12,185	-	-	-	-	-	197,265	
Transfers - capital related		-	-	-	-	-	-	-	-	-	
Total governmental activities expenses		\$ 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	
		\$ 12,597,501	\$ 11,962,283	\$ 12,423,173	\$ 14,545,575	\$ 14,864,976	\$ 13,884,763	\$ 16,558,246	\$ 16,478,756	\$ 2,260,500	
										\$ 17,358,551	
Business-type activities											
Unrestricted investment earnings		920,660	260,040	(444,170)	744,898	96,193	132,238	172,142	151,632	485,109	
Sale of capital assets		-	-	4,600	-	-	-	-	-	-	
Transfers - capital related		-	-	-	-	-	-	-	-	-	
Total business-type activities expenses		\$ (185,840)	\$ 349,291	\$ (1,083,819)	\$ 883,473	\$ (1,503,063)	\$ (1,681,820)	\$ (1,913,944)	\$ (1,997,884)	\$ (2,187,000)	
		\$ 734,820	\$ 609,331	\$ (1,523,389)	\$ (1,870,820)	\$ (1,406,870)	\$ (114,214)	\$ (2,394,291)	\$ (1,846,232)	\$ (1,922,739)	
Total primary government		\$ 13,332,721	\$ 12,571,614	\$ 10,899,784	\$ 14,302,926	\$ 13,458,106	\$ 13,770,549	\$ 14,163,955	\$ 14,632,504	\$ 15,326,049	
Change in Net Position											
Governmental activities											
Business-type 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	
Total primary government		\$ 939,889	\$ 766,670	\$ (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	\$ 2,906,568	\$ 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)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 5,148,018	\$ 4,401,159	\$ 4,428,587	\$ 1,919,712	\$ 1,899,194
Restricted	10,981,017	11,010,489	10,368,737	-	1,804,829
Committed	234,210	222,378	-	-	1,731,572
Assigned	3,812,781	3,849,973	31,592	-	1,702,641
Unassigned	3,037,183	4,238,006	7,826,600	10,614,235	-
Total general fund	\$ 23,213,209	\$ 23,722,005	\$ 22,655,516	\$ 12,533,047	\$ 12,181,916
					\$ 12,534,900
All other governmental funds					
Nonspendable	\$ 1,758,765	\$ 2,158,048	\$ 6,149	\$ 7,938	\$ 19,968
Restricted	2,077,444	1,889,501	2,720,232	14,344,702	16,391,488
Committed	3,800,395	1,915,613	1,886,386	2,133,007	2,037,501
Assigned	(4,672,328)	(3,957,235)	2,326,744	6,400,714	2,102,482
Unassigned			(3,860,652)	(3,545,810)	6,812,232
Total all other governmental funds	\$ 2,964,276	\$ 2,005,927	\$ 3,078,859	\$ 19,340,551	\$ 22,000,129
					\$ 21,482,611

Table 3

	Fiscal Year				
	2015	2016	2017	2018	2019
	\$ 1,899,194	\$ 1,804,829	\$ 1,731,572	\$ 1,702,641	\$ 1,671,527
	-	-	-	-	\$ 1,695,073
	1,875,000	1,875,000	-	-	-
	-	-	-	-	-
	8,407,722	9,155,071	8,398,760	7,879,629	8,713,892
	-	-	-	-	9,985,667
	\$ 12,181,916	\$ 12,534,900	\$ 10,130,332	\$ 9,582,270	\$ 10,385,419
	-	-	-	-	\$ 11,680,740

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
Revenues						
Taxes	\$ 6,613,493	\$ 6,949,680	\$ 7,138,718	\$ 7,635,725	\$ 7,957,791	\$ 8,286,427
Licenses and permits	258,844	310,939	275,418	312,958	342,797	280,282
Intergovernmental	12,122,957	9,251,480	8,527,227	6,861,436	9,739,172	8,481,280
Charges for services	566,901	630,883	901,680	917,164	830,200	1,028,636
Fines and forfeits	112,642	92,039	91,531	98,138	100,990	97,655
Special assessments	1,026,651	1,248,749	1,404,829	1,562,614	1,696,849	1,659,298
Interest on investments	369,006	133,976	(643,670)	764,369	392,003	331,854
Interest on loans	18,838	20,200	15,417	11,128	5,408	1,078
Miscellaneous	760,327	743,269	421,429	225,975	234,395	282,580
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>18,525,839</u>
Expenditures						
General government	1,521,118	1,649,431	1,684,862	1,868,185	1,701,942	1,859,435
Public safety	5,451,398	5,564,899	5,592,068	6,119,229	5,849,404	6,016,086
Public works	2,344,413	2,251,711	2,206,692	2,809,929	2,635,489	2,468,244
Culture and recreation	2,972,404	2,903,431	3,129,911	3,205,489	3,356,548	3,282,690
Airport	-	-	-	130,705	136,980	3,474,156
Community development	328,963	514,945	257,726	306,163	193,453	227,124
Miscellaneous	255,190	324,413	-	-	416,995	731,839
Capital outlay	7,440,625	7,427,969	8,501,482	3,729,085	8,786,119	6,612,275
Debt service	1,184,483	1,234,483	1,429,483	1,619,483	2,114,000	2,400,000
Principal	387,683	386,540	333,284	439,025	382,836	532,519
Interest and fiscal charges						
Total expenditures	<u>21,886,277</u>	<u>22,257,822</u>	<u>23,135,508</u>	<u>20,227,293</u>	<u>25,156,771</u>	<u>23,870,690</u>
Deficiency of revenues under expenditures	<u>(36,618)</u>	<u>(2,876,587)</u>	<u>(5,002,929)</u>	<u>(1,837,786)</u>	<u>(41,151,586)</u>	<u>(4,334,861)</u>
Other financing sources (uses)						
Bond issued	970,000	2,215,000	5,335,000	3,005,000	4,900,000	3,510,000
Refunding bond issued	-	-	-	(1,835,000)	-	-
Principal paid on refunded bonds	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Sale of capital assets	39,667	11,745	-	8,159	51,070	56,707
Contribution for senior center	-	-	-	-	-	-
Payment to refunding agent	(633,075)	(1,527,443)	(1,732,979)	(11,211,407)	(4,121,500)	(1,821,366)
Transfer out	838,915	1,727,732	1,521,078	13,082,227	5,649,563	3,525,186
Transfer in	1,195,507	2,427,034	5,123,099	5,086,375	6,479,133	5,480,327
Total other financing sources (uses)	<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>
Net change in fund balances	10.88%	10.93%	11.85%	12.44%	15.19%	17.15%
Debt service as a percentage of non capital expenditures						

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

Table 5

Program Revenues	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	766,247	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	2,553,280	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	5,023,082	5,890,153
Business-type activities										
Charges for services										
Water	1,894,152	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	-	-	-	-	-	2,620	-	2,620	-	7,570
Capital grants and contributions	69,681	7,000	209,670	37,807	192,197	59,774	35,686	18,034	31,184,74	249,325
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	\$ 14,823,072	\$ 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	4,116,428	4,018,823	3,448,159	3,420,520	4,012,249	4,856,591	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	838,465
Community development	335,129	931,118	295,666	405,733	506,248	1,135,736	803,201	449,376	597,661	741,140
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	18,310,022	20,312,921	20,187,763
Business-type activities										
Water	1,668,695	1,856,750	1,951,472	1,845,736	1,628,018	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	3,540,889	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	Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collections of Current Years Taxes During Fiscal Period	Percentage of Levy Collected During Fiscal Period	Collections of Prior Year's Taxes During Fiscal Period	Percentage of Levy Collected To Date	
2011	\$ 4,729,216	\$ 1,540,143	\$ 167,882	\$ 157,348	\$ 6,594,589	2011	\$ 4,900,880	\$ 4,747,104	96.76 %	\$ 153,776	\$ 4,900,448	99.99 %
2012	5,141,973	1,341,867	157,508	139,638	6,780,386	2012	5,381,024	5,247,720	96.86	133,304	5,380,452	99.99
2013	5,538,047	1,472,616	12,965	157,535	7,181,163	2013	5,463,342	5,338,030	97.52	125,312	5,462,814	99.99
2014	5,816,826	1,501,681	10,651	265,279	7,594,437	2014	5,831,420	5,704,581	97.71	126,839	5,830,758	99.99
2015	6,053,568	1,454,231	11,014	133,114	7,651,927	2015	5,958,550	5,879,780	97.82	128,770	5,955,937	99.96
2016	6,188,724	1,591,773	11,409	125,907	7,917,813	2016	6,156,614	6,086,218	98.68	70,396	6,150,746	99.90
2017	6,326,891	1,648,034	11,859	321,562	8,308,346	2017	6,236,269	6,210,749	98.86	25,520	6,225,518	99.83
2018	6,387,647	1,787,168	11,584	355,133	8,541,532	2018	6,310,770	6,199,264	99.59	111,506	6,284,433	99.58
2019	6,245,560	1,730,997	11,624	362,864	8,551,045	2019	6,310,770	6,182,403	97.97	128,367	6,270,022	99.35
2020	6,598,627	1,657,164	6,057	386,348	8,638,196	2020	6,520,259	6,370,347	97.70	149,912	6,370,347	97.70

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

Source of Data: Includes General fund 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	Total Tax Levy for Fiscal Year	Collections of Current Years Taxes During Fiscal Period	Percentage of Levy Collected During Fiscal Period	Total Collections To Date	Percentage of Levy Collected To Date	
2011	\$ 4,900,880	\$ 4,747,104	96.76 %	\$ 153,776	\$ 4,900,448	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	128,770	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

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

Table 8

Fiscal Year Ended December 31	Current Assessments Due	Current Assessments Collected	Percent Collected	Total Outstanding Deinquent Assessments	Prepayment of Assessments	Fiscal Year		Personal Property	
						Year Ended December 31,	Tax Capacity	Estimated Market Value	Tax Capacity
2011	\$ 1,000,004	\$ 999,097	99.91 %	\$ 488	\$ 74,108				
2012	1,108,933	1,028,504	92.75	328	160,668				
2013	1,000,204	937,653	93.75	112	355,235	2011	\$ 10,622,304	\$ 881,269,900	\$ 367,579
2014	1,309,516	1,242,078	94.85	59	426,843	2012	9,100,487	740,672,600	384,349
2015	1,425,096	1,366,041	95.86	-	895,136	2013	860,451,700	403,057	19,304,500
2016	1,710,255	1,635,221	95.61	903	495,935	2014	9,298,274	863,696,800	479,886
2017	1,341,595	1,225,577	91.35	7,930	277,776	2015	9,341,240	864,984,200	533,759
2018	1,389,166	1,323,192	95.25	138,657	360,006	2016	9,705,164	897,229,600	22,441,800
2019	1,321,102	1,273,554	96.40	187,706	246,620	2017	9,711,367	901,900,200	15,368,100
2020	1,265,153	1,198,883	94.76	67,967	217,588	2018	10,206,037	950,539,500	15,588,200
						2019	10,881,784	1,018,997,000	14,268,000
						2020	11,172,314	1,042,244,700	326,690
									16,343,600

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)
Tax Capacity and Estimated Value of Taxable Property
Last Ten Fiscal Years**

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

Table 9

	Total	Percent of Tax Capacity to Estimated Market Value			Total Direct Rate
Tax Capacity	Estimated Market Value	Estimated Market Value	Estimated Market Value	Estimated Market Value	Direct Rate
\$ 10,989,883	\$ 899,735,900	1.22 %	49.163 %		
9,484,836	759,977,100	1.25	57.125		
9,358,193	880,691,600	1.06	60.632		
9,778,160	887,741,600	1.10	62.050		
9,875,299	891,759,200	1.11	63.216		
10,152,259	919,671,400	1.10	64.322		
10,017,738	917,268,500	1.09	63.087		
10,516,810	966,127,700	1.09	64.866		
11,166,828	1,033,265,000	1.08	61.908		
11,499,004	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	Direct Government		
Ended December 31..	Operating Rate	Cap Imp Bonds Rate	PR Bonds Rate
2011	44.037 %	0.749 %	4.377 %
2012	50.489	0.901	5.734
2013	52.809	0.927	6.896
2014	50.918	0.878	10.254
2015	50.795	0.000	12.421
2016	50.025	0.000	14.297
2017	48.137	0.000	14.950
2018	48.910	0.000	15.056
2019	46.680	0.000	15.228
2020	43.834	0.000	16.230

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

Table 10

Overlapping Governments	2020		2020		Business Type	Taxpayer	Business Type	Percentage of Total Market Valuation	
	School District	County	Special District	Direct and Overlapping Total				Taxable Market Value	Rank
Freeborn Mower Electric Co-op				\$ 7,502,400	1			0.83 %	
Wal-Mart Real Estate Business				\$ 6,358,200	2			0.70	
Larson Manufacturing Company				\$ 6,314,200	3			0.70	
Albert Lea Port Authority				\$ 6,263,400	4			0.69	
Pratt Properties II, LLC				\$ 6,232,500	5			0.69	
Continental Albert Lea LLP				\$ 5,411,200	6			0.60	
Minnesota Energy Resources				\$ 4,832,700	7			0.54	
Geraldine B Vogt Trust				\$ 4,617,800	8			0.51	
Home Depot USA				\$ 4,097,300	9			0.45	
ITC Midwest, LLC				\$ 3,658,500	10			0.41	
Interstate Power Company				"	-			-	
MCB Properties, LTD				"	-			-	
Carrington Family Trust				"	-			-	
Trails Truck & Travel Plaza				"	-			-	
E. Family C				"	-			-	
Mayo Clinic Health Systems				"	-			-	
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

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

(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.

Fiscal Year	Governmental Activities				
	General Obligation Bonds	G.O. Tax Increment 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	-
2017	-	-	-	805,000	20,231,167
2018	-	-	-	660,000	20,025,533
2019	-	-	-	163,700	700,000
2020	-	-	-	148,769	555,000

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

Table 12

Business Type Activities					
G.O. Water Revenue Bonds (2)	Equipment Certificates	PFA Loans	Total Primary Government	Percentage of Personal Income	Per Capita (1)
\$ 1,851,444	\$ -	\$ -	\$ 13,122,810	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
1,252,553	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	1,214,286	22,817,923	2.82	1,256
2,886,730	115,000	1,162,783	25,129,965	2.92	1,386

(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 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	\$ (6,113,701)	\$ 6,909,109	62.87%	\$ 383
2012	13,945,885	(6,683,448)	7,262,437	76.57%	404
2013	17,693,678	(8,120,978)	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	108.89%	618
2017	22,166,836	(12,652,707)	9,514,129	94.97%	527
2018	21,603,608	(11,677,576)	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

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

Table 14

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	Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements	Total	Coverage
	\$		%		\$		\$	Principal	Interest	
Direct	\$ 20,965,452	100.00	%		\$ 20,965,452					
City of Albert Lea				2011	\$ 1,895,015	\$ 1,351,890	\$ 543,125	\$ 60,796	\$ 200,796	2.70 %
				2012	1,992,778	1,490,998	501,780	150,000	58,993	2.40
Overlapping				2013	2,121,488	1,513,354	608,134	150,000	56,698	2.94
School District #241	40,895,971	42.60		2014	2,334,575	1,524,685	809,890	155,000	54,972	3.86
County of Freeborn	7,435,000	22.43		2015	2,510,268	1,301,217	1,209,051	185,000	54,059	5.06
Shell Rock River Watershed	1,550,897	22.86		2016	2,729,257	1,344,681	1,384,576	205,000	54,362	5.34
Total overlapping debt				2017	2,929,831	1,347,363	1,582,468	205,000	44,249	249,249
Total direct and overlapping debt				2018	3,120,669	1,541,431	1,579,238	215,000	34,284	249,284
				2019	3,321,001	1,358,060	1,962,941	223,767	28,929	252,696
				2020	3,491,601	1,332,705	2,158,896	118,666	50,942	169,608
					\$ 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	Total	Coverage
		\$		\$	\$		
	2011	\$ 1,895,015	\$ 1,351,890	\$ 543,125	\$ 60,796	\$ 200,796	2.70 %
	2012	1,992,778	1,490,998	501,780	150,000	58,993	2.40
	2013	2,121,488	1,513,354	608,134	150,000	56,698	2.94
	2014	2,334,575	1,524,685	809,890	155,000	54,972	3.86
	2015	2,510,268	1,301,217	1,209,051	185,000	54,059	239,059
	2016	2,729,257	1,344,681	1,384,576	205,000	44,249	259,362
	2017	2,929,831	1,347,363	1,582,468	205,000	44,249	249,249
	2018	3,120,669	1,541,431	1,579,238	215,000	34,284	249,284
	2019	3,321,001	1,358,060	1,962,941	223,767	28,929	252,696
	2020	3,491,601	1,332,705	2,158,896	118,666	50,942	169,608
		\$ 40,410,366					

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			Total	Coverage
			Principal	Interest	Debt Service Requirements		
2011	\$ 4,594,893	\$ 2,812,776	\$ 1,782,117	\$ 180,000	\$ 4,410	\$ 184,410	9.66 %
2012	3,981,004	2,668,165	1,312,839	-	-	100.00	
2013	3,308,937	2,477,664	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	2,467,142	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	4,337	24,634	100.00
2020	4,446,636	2,969,112	1,477,524	111,000	8,267	119,267	12.39

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

(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).

Source:

**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)	Median Household Income (3)	
						Year	Population (1)
2011	18,016	\$674,104,672	\$37,417	3,311	5.9 %	2011	18,016
2012	17,994	702,701,688	39,052	3,277	6	2012	17,994
2013	17,957	745,484,855	41,515	3,294	5.7	2013	17,957
2014	17,957	710,666,232	39,576	3,217	4.5	2014	17,957
2015	17,945	724,511,430	40,374	3,323	4.7	2015	17,945
2016	17,899	716,622,263	40,037	3,397	3.3	2016	17,899
2017	18,045	760,189,760	42,128	3,423	4.7	2017	18,045
2018	18,032	784,969,024	43,532	3,535	3.9	2018	18,032
2019	18,165	808,578,645	44,513	3,595	3.7	2019	18,165
2020	18,132	861,415,056	47,508	3,572	4.1	2020	18,132

**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
Cargill Meat Solution Corporation	13,003,989	12.3 %
Mrs. Gerry's Kitchen	8,893,254	8.4
Hormel Albert Lea Select Foods	5,497,861	5.2
Ventura Foods LLC	3,105,650	2.9
Ami-Tech Ingredients, LLC	1,760,020	1.7
Mayo Clinic Health Systems - Albert Lea	1,748,644	1.6
Prairie Resources	1,049,382	1.0
Albert Lea Electro Plating Inc	899,09	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	Number of Employees	Rank	Percent of Total City Employee
Mayo Clinic Health Systems - Albert Lea	Medical Education (Pre K-12)	1,200	1	12.41 %	
Albert Lea Area Schools	Pork Processing	684	2	7.07	
Albert Lea Select Foods	Manufacturing	448	3	4.63	
Lou-Rich, Inc.	County Government	393	4	4.06	
Freeborn County	Agriculture	336	5	3.48	
Cargill Incorporated	Nursing Home, Assisted Living	320	6	3.31	
St. John's Lutheran Home	Discount Retail	300	7	3.10	
Wal-Mart	City Government	285	8	2.95	
City of Albert Lea	Grocery	280	9	2.90	
Hy-Vee Food Store	Holding Company (non-bank)	200	10	2.07	
Innovation Inc	Post-Secondary Education	-	-	-	
Riverland Community College	Total	4,446		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

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

Table 21

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

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

Table 22

	Fiscal Year						Fiscal Year					
	2016	2017	2018	2019	2020		2011	2012	2013	2014	2015	2016
Police							468	517	500	426	406	347
Class I crimes							799	735	648	644	599	571
Class II crimes												
Fire							677	711	700	803	2,084	2,143
Number of calls answered							189	207	195	195	388	437
Inspections												
Highways and Streets							3.97	2.89	3.11	5.52	1.43	5.19
Street resurfacing (miles)												
Culture and recreation												
Boat dock permits							250	212	249	242	257	265
Park facility rentals							304	336	331	331	341	311
Water												
New connections							9	11	17	11	17	19
Wateman breaks							23	32	38	46	28	26
Average daily consumptions							2,915	3,068	3,075	3,208	3,073	2,930
(Thousands of gallons)												
Wastewater												
Average daily sewage treatment							4,918	2,781	3,683	3,718	3,615	4,376
(Thousands of gallons)												

	Fiscal Year				
	2016	2017	2018	2019	2020
1,15.78	115.78	115.78	117.15	117.15	117.15
4	4	4	4	4	4
1,156	1,156	1,156	1,169	1,169	
109.73	109.73	109.73	111.33	111.33	
58.59	58.59	58.59	58.59	58.59	
12.5	12.5	12.5	12.5	12.5	

Table 23

	Fiscal Year			
	2017	2018	2019	2020
433	496	551	522	
372	624	678	708	
2,091	2,271	2,404	2,445	
395	610	1,052	473	
3.35	4.51	2.19	3.23	
262	266	269	271	
343	340	383	7	
10	20	68	38	
39	59	38	40	
2,853	2,753	5,501	2,548	
3,634	3,630	4,853	3,216	

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)



Offices in Fifth Street Towers
Minneapolis 150 South Fifth Street, Suite 700
Saint Paul Minneapolis, MN 55402
(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 Bonds
Series 2022A

We have acted as bond counsel to the City of Albert Lea, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Bonds, Series 2022A (the "Bonds"), originally dated July ___, 2022, 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 from special assessments levied or to be levied on property specially benefited by local improvements, tax abatement revenues, net revenues from the sanitary sewer and water systems of the Issuer, and ad valorem taxes, but if necessary for the payment thereof, additional 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 creditors' 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 July __, 2022, 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$
City of Albert Lea, Minnesota
General Obligation Bonds
Series 2022A

CONTINUING DISCLOSURE CERTIFICATE

July ___, 2022

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 Bonds, Series 2022A (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 Bonds, Series 2022A, 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 June ___, 2022, 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

\$4,990,000* GENERAL OBLIGATION BONDS, SERIES 2022A CITY OF ALBERT LEA, MINNESOTA

Proposals for the purchase of \$4,990,000* General Obligation Bonds, Series 2022A (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 June 27, 2022, 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 429, 444, 469 and 475, and Section 469.1814, by the City, for the purposes of financing various street and utility improvements and repairs and maintenance to the City's Arena 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 July 14, 2022, 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>
2024	\$440,000	2028	\$485,000	2032	\$550,000
2025	445,000	2029	505,000	2033	570,000
2026	460,000	2030	525,000		
2027	475,000	2031	535,000		

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 February 1, 2023, 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 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 July 14, 2022, 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 arbitration 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 \$4,930,120 plus accrued interest on the principal sum of \$4,990,000 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 \$99,800 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

June 27, 2022

The City Council
City of Albert Lea, Minnesota (the "City")

RE: \$4,990,000* General Obligation Bonds, Series 2022A (the "Bonds")
DATED: July 14, 2022

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 \$4,930,120) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2024	_____ % due	2028	_____ % due	2032
_____ % due	2025	_____ % due	2029	_____ % due	2033
_____ % due	2026	_____ % due	2030		
_____ % due	2027	_____ % due	2031		

* 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 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) 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 \$99,800 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 July 14, 2022.

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 July 14, 2022 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 June 27, 2022.

By: _____

Title: _____