

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

PREPARED BY:

FINANCE DEPARTMENT

ANDREW REID
Finance Director

Member GFOA of U.S. and Canada
Published June 17, 2020

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INTRODUCTORY SECTION
CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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June 17, 2020

To the Honorable Mayor and City Council
City of Hutchinson
Hutchinson, MN 55350

Dear Honorable Mayor and City Council:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of Hutchinson for the fiscal year ended December 31, 2019.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed not only to protect the government's assets from loss, theft, or misuse, but also to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Abdo, Eick and Meyers, LLP, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing single auditor engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements. The auditor places a special emphasis on internal controls and legal requirements involving the administration of federal awards. The City did meet the requirement for a Single Audit in 2019.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Hutchinson was incorporated in 1855 and exists under the state laws of Minnesota. The City is located in McLeod County in south-central Minnesota, 60 miles west of the Twin Cities at the junctions of Highways 7, 15, and 22 and occupies 4,734 acres. Considered a Greater Minnesota Regional Center, Hutchinson’s economy is diverse and includes retail, manufacturing, agricultural and services. For 2019, the latest estimate of the City’s population is 14,155.

The City is governed under City charter, which was readopted by voters on November 5, 2002. The charter provides for a separate electric and gas commission that oversees its operations but requires Council rate review. The Council is comprised of a mayor, serving a two (2) year term, and four Council members, each serving four (4) year staggered terms. Council members are elected at large but each candidate must file by seat. The City shall hold a primary election if there should be three or more candidates filing for one designated seat. The City Administrator is appointed by the Council and serves as the City Clerk.

The City’s mission statement is as follows; “The City of Hutchinson exists so that residents, businesses, property owners and visitors are provided with quality services and programs that support a safe, healthy, sustainable and business-friendly community with a small town atmosphere, for a cost of government similar to, or less than, comparable out-state Minnesota cities”. To achieve its mission, the City has established six core areas of focus:

- 1) Public Safety
 - Provide residents and visitors a “safe” environment with protection of property.
- 2) Health and Recreation
 - Provide and contribute to a “healthy quality of life”.
- 3) Transportation
 - Provide safe and effective movement throughout the city.
- 4) Economic Development
 - Provide diversification, job growth and employment opportunities.
- 5) Environment
 - Provide concepts that are sustainable and environmentally friendly.
- 6) Good Government
 - Citizens perceive the City is delivering quality services at a reasonable price and that there is adequate planning for the future.

The City provides the full range of municipal services prescribed by statute or charter. This includes police and fire protection, construction and maintenance of highways, streets and other infrastructure, and recreational and cultural events. Enterprise activities include water, sewer, storm water, refuse, composting services and a municipal off-sale liquor store. The City owns and operates the airport, gas and electric services and continues to maintain a lease arrangement with Hutchinson Health, which is a 501c3 tax-exempt nonprofit health care organization.

Each year the Council approves an annual budget, which serves as the foundation for the City of Hutchinson's financial planning and control. Requests from all departments and agencies are submitted and prepared by the City Administrator for presentation to the Council. The Council, following a public hearing no later than December 31, approves the budgets. Page 55 of this 2019 CAFR provides the General fund budget to actual results.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Hutchinson's economy continued to show economic stability throughout 2019. The City's overall market value increased 3.7% in 2019, which is the sixth consecutive annual increase after values stabilized from the recession in 2013. The City's 2019 market valuation is comprised of Residential (73.7%), Commercial & Industrial (19.5%), Apartments (6.2%) and Agriculture (0.5%). The 2019 market values increased for all property types; Residential (4.1%), Commercial & Industrial (1.9%), Apartments (4.9%) and Agricultural (5.9%).

Minnesota Mining & Manufacturing (3M) has its largest North American production facility in Hutchinson, employing approximately 1,585 people in the production of tape and related adhesive product lines. TDK, a precision component manufacturer serving the medical, defense/aerospace, computer and microelectronic industries, currently employs approximately 378 people. While 3M and TDK are the City's largest manufacturing employers, other manufacturing companies in the community provide quality jobs and strong diversity to the local economy, including Hutchinson Manufacturing, Goebel Fixture Company, Warrior Manufacturing, Stearnswood Inc., Impressions, Inc., MITGI and Uponor.

Hutchinson serves as a regional retail-shopping hub with a variety of local retailers as well as national and regional retail stores such as Target, Wal-Mart and Menards. The City's retail trade area covers a 30-mile radius with an estimated customer base of 128,000 people. A sizable number of fast food franchise restaurants are present in the community along with locally owned full service establishments. Hutchinson is also home to a 233,300 square foot enclosed shopping mall with Marshall's, Running's Fleet and Dunham's Sports as anchor tenants. Three strip malls add to Hutchinson's retail shopping base, providing dining and personal services.

Downtown Hutchinson continues to show strength and diversity. The downtown business climate provides vitality and a strong sense of community. Businesses range from retail stores, locally owned restaurants, local and nation-wide banks and service providing businesses. Investments continue to be made to preserve and promote the downtown area because of the vital aspect it brings to the City of Hutchinson.

Long-term Financial Planning

The City annually prepares a 5-year capital improvement plan detailing specific projects and proposed financing sources. The plan is a collaborative effort between the City's fleet committee, facility committee, resource allocation committee, department directors and city council. In addition, as part of the annual General fund budget process, a 5-year financial forecast is updated, trending revenues and expenditures. The intent of the 5-year forecast is to determine how easily a future balanced budget can be achieved based on a set of assumptions. Management can then make operational changes in the near-term that will positively affect the long-term budget outlook.

Relevant Financial Policies

The City of Hutchinson approved a Financial Management Plan in May 2018. The Plan is designed to serve as the framework upon which consistent operations may be built and sustained, guides responsible use of municipal resources and contributes to the City's overall financial health. The Plan serves three main purposes:

- 1) Draws together the City's major financial policies into a single document.
- 2) Establishes principles to guide both staff and city council members to make consistent and informed financial decisions.
- 3) Provides guidelines for ensuring and maintaining an appropriate level of funds, unreserved and reserved, to sustain the financial integrity of the City.

Management philosophy used in the General fund budget for City Council consideration and approval included conservative revenue estimates and realistic expenditures. The City's fund balance policy designates 40 percent of General fund reserves for working capital. This threshold ensures the City can meet ongoing monthly obligations with cash on hand. In addition, management maintains a philosophy that expenditures included in the budget are not automatically considered "approved". Capital expenditures as well as other significant expenditures are not approved until it has been determined that adequate monies are available and the expenditure is necessary.

The City annually issues 15-year general obligation debt for major roadway and infrastructure projects. A debt tax levy and assessments against benefitting properties are the main revenue sources for debt service payments. Federal and State Aid, Enterprise fund transfers, and other City funding are other financing sources annually leveraged to reduce the project costs to a level supported by the City's Debt Management plan. The Debt Management plan is a mechanism to control long-term debt funded by the debt tax levy and to assist in prioritizing capital infrastructure needs. The City's bond rating from Standard & Poor's was reaffirmed in 2019 at AA-.

The City uses a "pooled cash" concept of investing, which means that all the funds with cash balances participate in an investment pool. Available cash is invested in short-term government money market accounts, certificates of deposit, obligations of the U.S. Treasury and its agencies, and municipal bonds.

Major Initiatives

The City, in 2018, began the planning process for a new police facility. The preliminary cost estimate is in the range of \$10M to \$12M. The city council committed \$3M of Community Improvement fund balance for the new facility. Other financing sources will be explored as the project continues to move forward. The City plans to finalize a site purchase in early 2020 and prepare the site for 2021 construction.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hutchinson, Minnesota for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. The Certificate of Achievement is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year. The City of Hutchinson has received a certificate of achievement award each year since fiscal year ended 1996. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to all members of the finance department who assisted and contributed to the preparation of this report. Without their efficient and dedicated service, this report could not be accomplished. Special recognition is in order for Justin Juergensen, Assistant Finance Director, who assisted with the preparation and production of this report. We would also like to thank Mayor Forcier and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

CITY OF HUTCHINSON



Matthew Jaunich
City Administrator

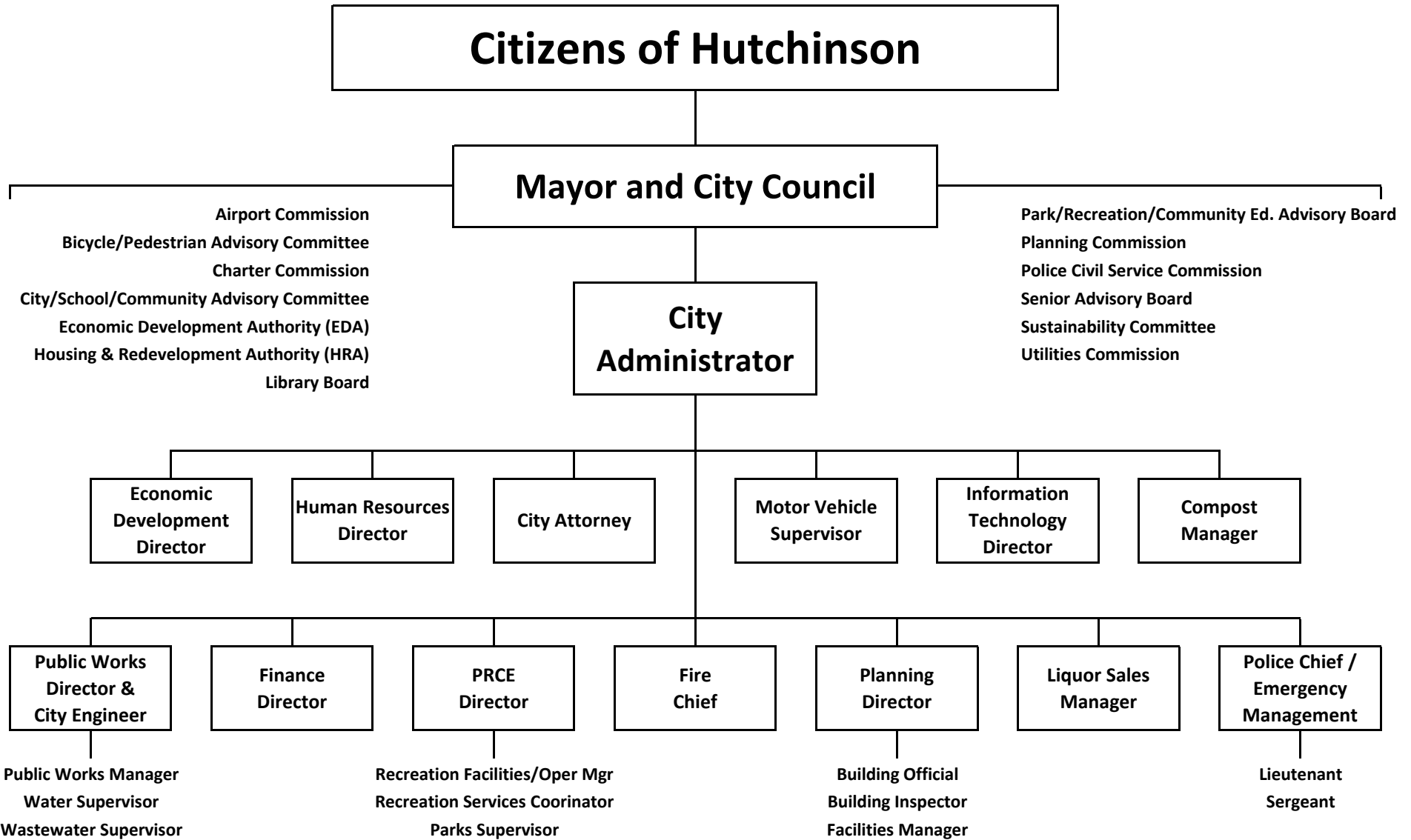


Andrew J. Reid
Finance Director

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City of Hutchinson

2019 Organizational Chart



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City of Hutchinson, Minnesota
Principal City Officials
For the Year Ended December 31, 2019

ELECTED

| Name | Title | Term Expires |
|------------------|--|--------------|
| Gary Forcier | Mayor | 12/31/20 |
| Mary Christensen | Council | 12/31/22 |
| Dave Sebesta | Council | 12/31/22 |
| Chad Czmowski | Council | 12/31/20 |
| Steve Cook | Council | 12/31/20 |
| Matthew Jaunich | City Administrator | Appointive |
| Marc Seborá | City Attorney | |
| Andrew Reid | Finance Director | |
| Tom Gifferson | Chief of Police | |
| Steve Synstelién | Police Commissioner | Appointive |
| Todd Brandel | Police Commissioner | Appointive |
| Kim Pearson | Police Commissioner | Appointive |
| Mike Schumann | Fire Chief | |
| Dolf Moon | Director of Parks, Recreation and Community Education | |
| Kent Exner | Director of Public Works | |

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hutchinson
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION
CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hutchinson, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements 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 Hutchinson, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hutchinson Public Utilities Commission, which is a major fund and 59 percent, 58 percent and 77 percent, respectively, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hutchinson Public Utilities Commission mentioned above, is based solely on the reports 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above 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 as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Change in Accounting Standards

During the year, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 27 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 118 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 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

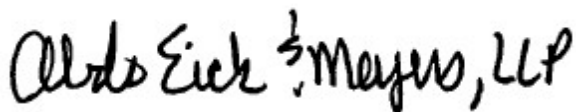
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of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

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

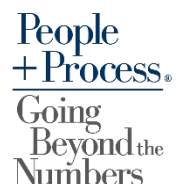
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 17, 2020



People
+ Process®
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the City of Hutchinson, 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, 2019. 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 9 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 2019 fiscal year by \$212,818,407 (net position). Of this amount, \$50,213,244 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,546,663 compared to an increase of \$13,881,362 in the previous year. Government-type activities accounted for 37.0 percent of the total increase, with capital grants and contributions accounting for 58.7 percent of the increase. Business-type activities accounted for 63.0 percent of the total increase attributed mainly to the water, sewer, electric and gas operations.
- As of the close of 2019, the City's combined governmental funds reported ending fund balances of \$24,530,673, an increase of \$1,047,091 in comparison with the prior year. Two main factors contributed to this increase in 2019. First was prepaid assessments of \$504,060 for the 2019 debt service fund, which was \$268,521 more than the prior year's prepayments for the 2018 debt service fund. The second contributing factor was the \$375,928 surplus in the General fund for 2019. Approximately \$304,970, or 1.2 percent, is available for spending at the City's discretion (unassigned fund balance).
- During the year, the City's governmental expenditures and financing uses totaled \$25,828,236 compared to \$26,875,327 generated in revenues and other financing sources for governmental programs.
- At the end of the current fiscal year, the fund balance for the General fund was \$7,624,663, or 59.0 percent of total General fund expenditures and transfers out. The unassigned fund balance of the General fund was \$2,011,107 or 15.6 percent of total General fund expenditures and transfers out.

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 reflects 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 funds, which are added together and presented in single columns in the basic financial statements.

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

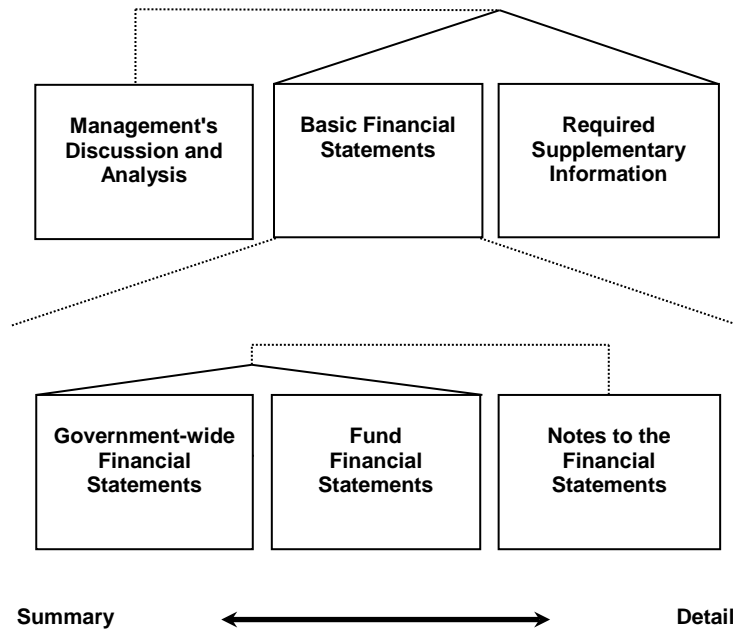


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

**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 | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows |
| 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/inflows of resources, regardless of when cash is received or paid. | Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included | All deferred outflows/inflows of resources, regardless of when cash is received or paid |
| Type of outflow/inflow 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 |

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 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 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation and housing and economic development. The business-type activities of the City include electric, natural gas, water, sewer, refuse, composting, storm water, and a municipal liquor store operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate component units under the community redevelopment agency, the Economic Development Authority (EDA) and the Housing and Redevelopment Authority (HRA). Financial information for these component units is discretely presented in the government-wide financial statements.

The government-wide financial statements can be found starting on page 42 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. These statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable 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 requirement.

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

The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are reported as one major fund for financial reporting. 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, the Debt Service fund, Community Improvement fund, the Special Assessment Improvement 2017 fund, the Special Assessment Improvement 2018 fund and the Special Assessment Improvement 2019 fund, all of which are considered to be major funds. Data from the other nonmajor 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 the report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund on page 55 in this report to demonstrate compliance with this budget. The basic governmental fund financial statements can be found starting on page 48 of this report.

Proprietary Funds. The City maintains two different 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 residential refuse pickup, compost, water and sewer, electric and gas, storm water, and liquor operations. 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 central garage and insurance operations. Because both 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 fund financial statements provide separate information for each of its operations that are considered to be major funds of the City. Both internal service funds balances have been incorporated into the functions of the governmental activities that benefited from these services. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found starting on page 56 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 the financial statements can be found starting on page 73 of this report.

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 Hutchinson's share of net pension liabilities (assets) for defined benefits plans, schedules 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 118 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found starting on page 126 of this report.

Further, a statistical section has been included as part of the comprehensive annual financial report to facilitate additional analysis and can be found starting on page 180 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The table below presents net position - the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

By far the largest portion of the City's net position (71.2 percent) 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 Hutchinson's Summary of Net Position

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------------|-------------------------|----------------------|------------------------|--------------------------|-----------------------|------------------------|
| | 2019 | 2018 | Increase (Decrease) | 2019 | 2018 | Increase (Decrease) |
| Current and Other Assets | \$ 30,512,287 | \$ 29,933,266 | \$ 579,021 | \$ 53,755,807 | \$ 52,697,297 | \$ 1,058,510 |
| Capital Assets | 86,387,693 | 83,425,971 | 2,961,722 | 133,842,640 | 132,022,809 | 1,819,831 |
| Total Assets | <u>116,899,980</u> | <u>113,359,237</u> | <u>3,540,743</u> | <u>187,598,447</u> | <u>184,720,106</u> | <u>2,878,341</u> |
| Deferred Outflows of Resources | 2,289,363 | 3,483,907 | (1,194,544) | 429,654 | 917,461 | (487,807) |
| Long-term Liabilities | | | | | | |
| Outstanding | 25,783,862 | 25,940,737 | (156,875) | 58,575,182 | 59,972,719 | (1,397,537) |
| Other Liabilities | 1,243,543 | 1,210,290 | 33,253 | 4,238,875 | 5,450,885 | (1,212,010) |
| Total Liabilities | <u>27,027,405</u> | <u>27,151,027</u> | <u>(123,622)</u> | <u>62,814,057</u> | <u>65,423,604</u> | <u>(2,609,547)</u> |
| Deferred Inflows of Resources | 3,516,063 | 4,205,671 | (689,608) | 1,041,512 | 1,428,665 | (387,153) |
| Net Position | | | | | | |
| Net investment in capital assets | 66,499,781 | 63,850,387 | 2,649,394 | 85,016,805 | 87,042,770 | (2,025,965) |
| Restricted | 11,088,577 | 10,716,849 | 371,728 | - | - | - |
| Unrestricted | <u>11,057,517</u> | <u>10,919,210</u> | <u>138,307</u> | <u>39,155,727</u> | <u>31,742,528</u> | <u>7,413,199</u> |
| Total Net Position | <u>\$ 88,645,875</u> | <u>\$ 85,486,446</u> | <u>\$ 3,159,429</u> | <u>\$ 124,172,532</u> | <u>\$ 118,785,298</u> | <u>\$ 5,387,234</u> |

An additional portion of the City's net position (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (23.6 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of 2019, 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.

Governmental Activities. Governmental activities increased the City's net position by \$3,159,429, thereby accounting for 37.0 percent of the total growth in the net position of the City. Key elements of the activities are shown below:

City of Hutchinson's Changes in Net Position

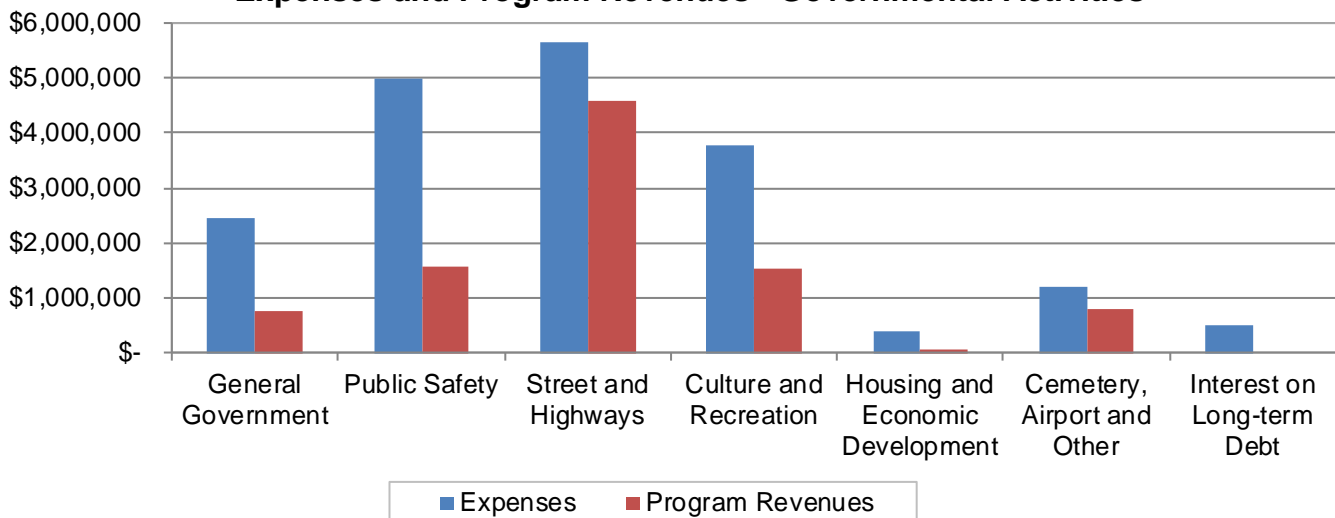
| | Governmental Activities | | | Business-type Activities | | |
|---|-------------------------|----------------------|------------------------|--------------------------|-----------------------|------------------------|
| | 2019 | 2018 | Increase (Decrease) | 2019 | 2018 | Increase (Decrease) |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 4,233,837 | \$ 4,360,588 | \$ (126,751) | \$ 56,938,571 | \$ 58,009,634 | \$ (1,071,063) |
| Operating grants and contributions | 696,234 | 767,930 | (71,696) | 26,594 | 36,234 | (9,640) |
| Capital grants and contributions | 4,367,498 | 2,453,603 | 1,913,895 | 313,081 | 353,581 | (40,500) |
| General Revenues | | | | | | |
| Property taxes/tax increments | 7,331,925 | 7,401,817 | (69,892) | - | - | - |
| Other taxes | 464,581 | 559,532 | (94,951) | 1,537,844 | 1,482,066 | 55,778 |
| Grants and contributions not restricted to specific programs | 2,421,043 | 2,428,676 | (7,633) | - | - | - |
| Unrestricted investment earnings | 692,739 | 252,723 | 440,016 | 1,183,696 | 595,182 | 588,514 |
| Other | - | 5,939,376 | (5,939,376) | - | - | - |
| Gain on sale of capital assets | 59,757 | 46,440 | 13,317 | 102,658 | 42,961 | 59,697 |
| Total Revenues | <u>20,267,614</u> | <u>24,210,685</u> | <u>(3,943,071)</u> | <u>60,102,444</u> | <u>60,519,658</u> | <u>(417,214)</u> |
| Expenses | | | | | | |
| General government | 2,435,032 | 2,341,846 | 93,186 | - | - | - |
| Public safety | 4,987,199 | 4,631,282 | 355,917 | - | - | - |
| Streets and highways | 5,657,370 | 5,368,926 | 288,444 | - | - | - |
| Culture and recreation | 3,766,612 | 3,598,025 | 168,587 | - | - | - |
| Housing and economic development | 392,392 | 349,307 | 43,085 | - | - | - |
| Cemetery, airport and other | 1,216,593 | 1,224,478 | (7,885) | - | - | - |
| Interest on long-term debt | 502,343 | 475,627 | 26,716 | - | - | - |
| Electric | - | - | - | 27,345,524 | 28,140,954 | (795,430) |
| Natural gas | - | - | - | 9,776,175 | 9,439,397 | 336,778 |
| Water | - | - | - | 2,621,826 | 2,421,732 | 200,094 |
| Sewer | - | - | - | 3,087,632 | 3,196,430 | (108,798) |
| Refuse | - | - | - | 1,160,163 | 1,121,538 | 38,625 |
| Composting | - | - | - | 2,360,824 | 2,267,201 | 93,623 |
| Storm water | - | - | - | 691,435 | 609,845 | 81,590 |
| Liquor | - | - | - | 5,822,275 | 5,662,393 | 159,882 |
| Total Expenses | <u>18,957,541</u> | <u>17,989,491</u> | <u>968,050</u> | <u>52,865,854</u> | <u>52,859,490</u> | <u>6,364</u> |
| Increase (Decrease) in Net Position Before Transfers | 1,310,073 | 6,221,194 | (4,911,121) | 7,236,590 | 7,660,168 | (423,578) |
| Transfers | 1,849,356 | 2,677,936 | (828,580) | (1,849,356) | (2,677,936) | 828,580 |
| Change in Net Position | 3,159,429 | 8,899,130 | (5,739,701) | 5,387,234 | 4,982,232 | 405,002 |
| Net Position - January 1 | 85,486,446 | 76,587,316 | 8,899,130 | 118,785,298 | 113,803,066 | 4,982,232 |
| Net Position - December 31 | <u>\$ 88,645,875</u> | <u>\$ 85,486,446</u> | <u>\$ 3,159,429</u> | <u>\$ 124,172,532</u> | <u>\$ 118,785,298</u> | <u>\$ 5,387,234</u> |

The City of Hutchinson governmental revenues and business-type activity revenue each decreased for 2019 while governmental expenses increased and business-type expenses decreased. The 2018 hospital \$6.2M buyout of the remaining 20 years of its 30-year lease agreement with the City was the reason for the decrease in governmental revenue. Increased capital contributions and investment earnings helped to offset the decrease in revenue from 2018. Increases in governmental expenses were \$968,050 or a 5.4 percent increase.

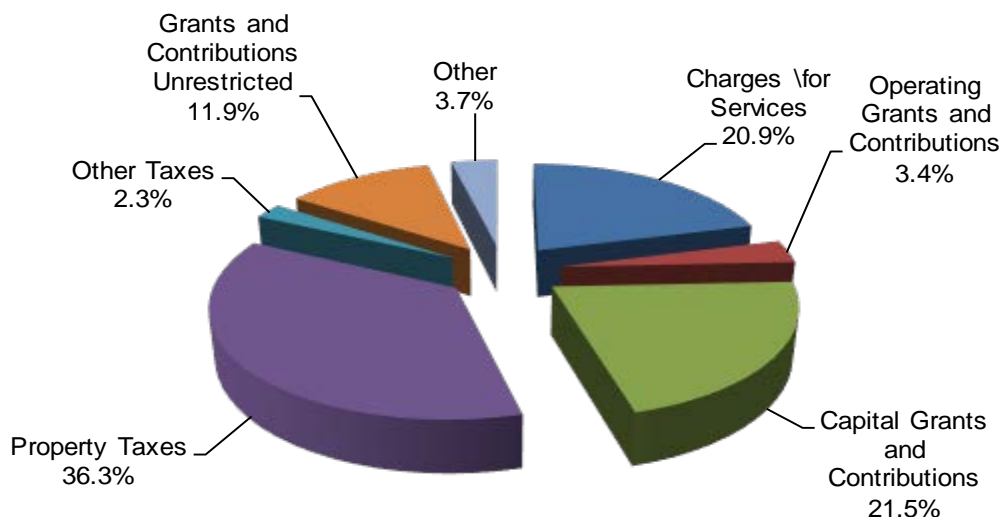
Business-type activities had an aggregate revenue decrease of \$417,214 or 0.7 percent. The major contributor to the decrease in charges for services was the decreased demand in electricity usage. As with the governmental activities, increased investment earnings helped to offset these decreases. The Liquor business continued to increase its overall sales revenue because of the strategic positioning in the community. Water fund reflects a moderate decrease and Sewer a moderate increase due to consumption. Refuse and Storm Water funds had moderate revenue increases. The Compost, Refuse, Water and Storm Water funds had moderate expense increases while the Sewer fund incurred a moderate expense decrease. The cost of goods sold continued to rise in the Liquor business. Areas that affected the liquor store cost of goods sold were the continued price increases in purchasing inventory, increasing freight costs, the number of units sold, and increasing credit card fees due to the growing usage of credit and debit cards versus cash payments by customers. The Electric division expenses reflected a significant decrease that coincided with the decreased demand, while the Gas division expenses reflected a moderate increase.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

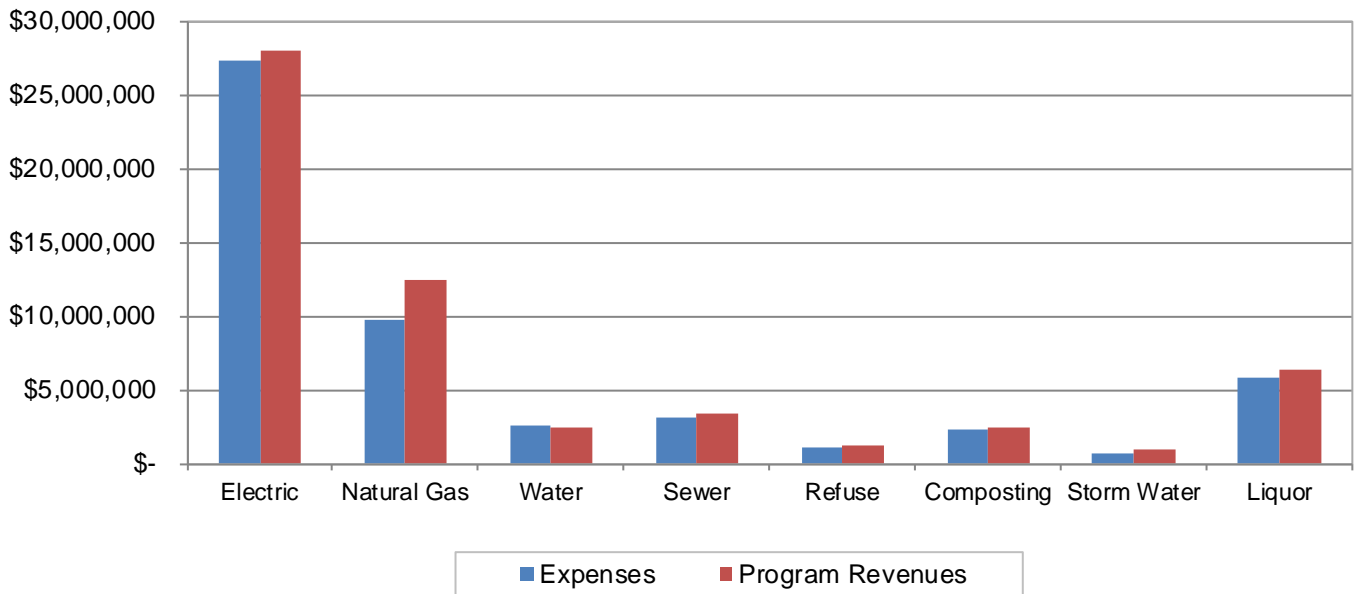


Revenues by Source - Governmental Activities

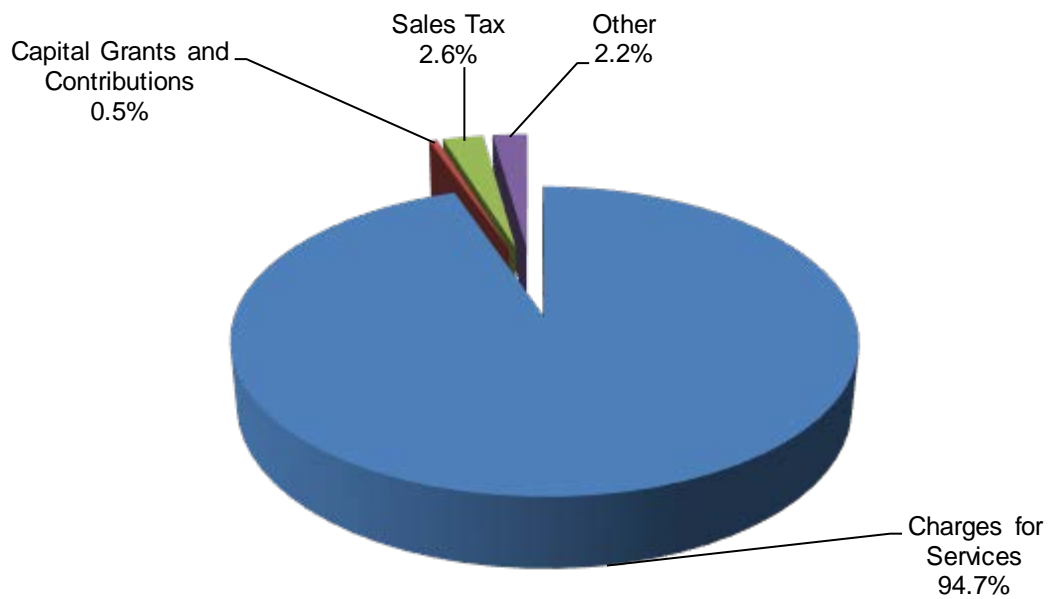


Business-type Activities. Business-type activities increased the City's net position by \$5,387,234 for 2019, thereby accounting for 63.0 percent of the total growth in net position of the City. Key elements of the activities are shown below:

Expenses and Program Revenues - Business - type Activities



Revenues by Source Business - type Activities



Financial Analysis of City's Funds

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

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

The General fund is the chief operating fund of the City. At the end of 2019, fund balance of the General fund was \$7,624,663. During 2019, the fund balance of the General fund increased by \$375,928, primarily due to investment earnings being \$154,097 higher than budget and total expenditures being \$392,934 less than budget. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 59.0 percent of total General fund expenditures and transfers out.

The Debt Service fund has a total fund balance of \$5,998,978, all of which is restricted for future debt service principal and interest. The Debt Service fund's fund balance increased by \$407,687 during the current year, mainly due to increased special assessments and investment earnings.

The Community Improvement Projects fund has a total fund balance of \$6,284,163 at the end of the year, which increased by \$85,993 during the current year. The increase is due to higher investment earnings in the current year.

The Special Assessment Improvement 2017 has a total fund balance of \$0 at the end of the year. The Special Assessment Improvement 2017 fund balance increased by \$102,971 during the current year due to a federal grant contribution for the Roberts Road/School Road project..

The Special Assessment Improvement 2018 has a total fund balance of \$66,853 at the end of the year. The Special Assessment Improvement 2018 fund balance increased by \$790,187 during the current year due to \$1,000,000 of federal aid received for the Century Avenue road reconstruction project.

The Special Assessment Improvement 2019 has a total fund balance deficit of \$806,935 at the end of the year. The Special Assessment Improvement 2019 fund balance decreased by \$785,981 during the current year. State aid related to the 2019 construction projects will cover the remaining deficit when received in 2020.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Liquor fund operation sales increased in 2019 by \$126,876 or 2.1 percent, while gross profit decreased by \$32,677 from 2018. The operating income decreased by \$43,819 due to the gross profit decrease along with increased wages. The Municipal Liquor fund's net position at year end was \$1,165,019, which was an increase of \$50,522 from the previous year.

The Water fund's net position at year end was \$15,617,858, which was an increase of \$980,986 from the previous year.

The Sewer fund's net position at year end was \$22,585,140, which was an increase of \$1,518,553 from the previous year.

Rates in the Water and Sewer funds remained unchanged in 2019 and were last increased in 2011. The local sales tax of 0.5 percent in place since January 1, 2012 resulted in \$1.514 million of revenue for these two funds in 2019. The local sales tax revenue is being used exclusively for debt service payments on the Water and Wastewater facilities.

The City's Electric and Gas Utilities provide services to residents of the City. Increased electric and gas demand, offset by increased purchased power expenses, resulting in an operating income of \$4,224,327. The net position of the Utilities increased by \$2,287,243 in 2019.

General Fund Budgetary Highlights

The City amended its 2019 General fund budget to include a \$200,000 of expenditures to cover extensive roadway repairs resulting from severe frost boils. Results of the 2019 fiscal year are favorable against the budget. Expenditures and transfers out were less than revenues and other financing resources by \$375,928.

Several positive fluctuations in actual versus budgeted revenues resulted in a positive budget variance of \$180,553. Actual expenditures came in lower than budget by \$392,934. Significant budget variances are summarized below:

- Licenses and permit revenue exceeded the budget by \$114,802 due mainly to building permit activity.
- Total expenditures were lower than budget by \$392,934 due to a combination of several factors. Professional services, contractual repair and maintenance, and automotive repair and maintenance all had significant budgetary surpluses during the year. Expenses that significantly exceeded the budget include equipment parts, street maintenance materials, and contracted snow removal.
- The largest expenditure variances occurred in general government, streets and culture and recreation. General government was \$54,905 under budget due to employee turnover and lower than expected expenses in the information services department. Streets expenditures were \$131,116 under budget due to a \$200,000 budget amendment for frost boil repairs, while all repairs were not completed in 2019 due to vendor unavailability. Culture and recreation expenditures were \$135,780 under budget primarily due to employee turnover as well as a decrease from budgeted wages at the water park due to poor weather during the 2019 season.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$220,230,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and improvements, machinery and equipment, office furniture and fixtures, automotive equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 2.2 percent (a 3.6 percent increase for governmental activities and a 1.4 percent increase for business-type activities).

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

- The City completed improvements on the South Grade Road corridor.
- The City completed improvements on 5th Ave SW.
- The City completed the construction on a new roadway at Technology Drive NE.
- Creekside Soils purchased a new compost turner to be used in their operations.

Additional information on the City's capital assets can be found in Note 3C starting on page 87 of this report.

City of Hutchinson's Capital Assets (Net of Depreciation)

| | Governmental Activities | | | Business-type Activities | | |
|------------------------------------|-------------------------|----------------------|------------------------|--------------------------|-----------------------|------------------------|
| | 2019 | 2018 | Increase (Decrease) | 2019 | 2018 | Increase (Decrease) |
| Land | \$ 8,992,736 | \$ 8,992,736 | \$ - | \$ 1,994,381 | \$ 1,994,381 | \$ - |
| Buildings | 7,514,572 | 6,725,670 | 788,902 | 21,045,471 | 22,114,828 | (1,069,357) |
| Infrastructure and Improvements | 62,818,972 | 58,102,161 | 4,716,811 | 90,241,457 | 90,792,974 | (551,517) |
| Machinery and Equipment | 2,036,365 | 1,944,291 | 92,074 | 3,219,925 | 2,721,214 | 498,711 |
| Automotive Equipment | 1,686,307 | 1,812,976 | (126,669) | 436,696 | 258,670 | 178,026 |
| Construction in Progress | 3,338,741 | 5,848,137 | (2,509,396) | 16,904,710 | 14,140,742 | 2,763,968 |
| Total | \$ 86,387,693 | \$ 83,425,971 | \$ 2,961,722 | \$ 133,842,640 | \$ 132,022,809 | \$ 1,819,831 |

Long-term Debt - At the end of the current fiscal year, the City had total bonded debt outstanding of \$68,950,370. This consists of bonds secured by special assessments (\$19,305,000) and specified revenue sources (i.e., revenue bonds of \$49,645,370).

City of Hutchinson's Outstanding Debt

| | Governmental Activities | | | Business-type Activities | | |
|------------------------|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|
| | 2019 | 2018 | Increase (Decrease) | 2019 | 2018 | Increase (Decrease) |
| G.O. Improvement Bonds | \$ 19,305,000 | \$ 19,035,000 | \$ 270,000 | \$ - | \$ - | \$ - |
| G.O. Revenue Bonds | - | - | - | 21,065,370 | 20,806,370 | 259,000 |
| Revenue Bonds | - | - | - | 28,580,000 | 30,575,000 | (1,995,000) |
| Contracts and Notes | 30,000 | 60,000 | (30,000) | 568,643 | 249,644 | 318,999 |
| Total | \$ 19,335,000 | \$ 19,095,000 | \$ 240,000 | \$ 50,214,013 | \$ 51,631,014 | \$ (1,417,001) |

The City's total debt decreased by \$1,177,001 during 2019. Issuances of debt totaled \$5,938,775 and long-term debt of \$7,115,776 was retired during the year. The debt issued included \$2,790,000 of G.O. Water and Sewer Refunding Bonds.

Standard & Poor's rates the City of Hutchinson's 2019 bonds as "AA-". The revenue bonds of the Electric and Gas Utility fund are separately rated "Aa3" by Moody's Investor Service.

Additional information on the City's long-term debt can be found in Note 3F starting on page 94 of this report.

Economic Factors and Next Year's Budgets and Rates

- Hutchinson had an average unemployment rate of 3.8 percent during the fiscal year end 2019. This is an estimate based on information obtained from the Minnesota Department of Employment and Economic Development, which is higher than the average rate of 3.1 percent a year ago. This rate compares unfavorably to the State's average unemployment rate of approximately 3.2 percent as well as the national average annual rate of 3.7 percent.
- Inflationary trends in the region on average for fiscal year 2019 were similar to national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

City management and City Council continually look at cooperative partnerships as a cost savings measure, reductions in program and service areas, and where personnel cost savings can be achieved while at the same time minimizing service impacts on the community. The City continues to rely on a 5-year budget model to predict long-term challenges that may be faced so that in the near-term they can be addressed. Every effort is made each year to provide a realistic balanced budget to maintain long-term financial viability for the City of Hutchinson.

Factors involved in balancing the 2020 General fund budget included a 2.9 percent tax levy increase to address rising costs.

The City's LGA received from the State increased by \$168,221 in 2020 to a total of \$2,569,936. The General fund is utilizing only \$1,268,473 of the LGA to cover operating expenses with the remaining LGA being reserved in the Capital Improvements Projects fund for General fund facility improvements, miscellaneous infrastructure maintenance and other projects as approved by City Council.

The transfer in from the Public Utilities Commission (PUC) was increased \$265,766 due to an increase in the PILOT from 4.00 percent to 4.50 percent of operating revenues. This will be the final year of a three-year phased-in increase of the PILOT. The PILOT increase was mutually agreed upon by the PUC and Hutchinson City Council.

The storm water rates were increased 3 percent in 2020 to address cash flow needs within the fund. Water, sewer and refuse rates remained unchanged for the year. The Compost pricing has been adjusted either up or down depending on the product line for 2020. Pricing adjustments occurred based on the actual cost to produce a certain product line or to neutralize market pricing from competitors.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Hutchinson, 111 Hassan Street Southeast, Hutchinson, Minnesota 55350.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Hutchinson, Minnesota
Statement of Net Position
December 31, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and temporary investments | \$ 25,554,509 | \$ 40,121,777 | \$ 65,676,286 |
| Restricted assets | - | 5,121,050 | 5,121,050 |
| Receivables | | | |
| Interest | 36,498 | 153,145 | 189,643 |
| Delinquent taxes | 63,000 | - | 63,000 |
| Accounts, net of allowances | 235,135 | 4,237,505 | 4,472,640 |
| Sales taxes receivable | - | 88,591 | 88,591 |
| Notes | 1,188,975 | - | 1,188,975 |
| Special assessments | 2,132,889 | - | 2,132,889 |
| Intergovernmental | 1,254,341 | 228,654 | 1,482,995 |
| Internal balances | 40,514 | (40,514) | - |
| Due from component unit | 404 | - | 404 |
| Inventories | - | 3,761,949 | 3,761,949 |
| Prepaid items | 6,022 | 83,650 | 89,672 |
| Capital assets | | | |
| Nondepreciable | 12,331,477 | 18,899,091 | 31,230,568 |
| Depreciable, net of accumulated depreciation | 74,056,216 | 114,943,549 | 188,999,765 |
| Total Assets | 116,899,980 | 187,598,447 | 304,498,427 |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | 2,265,613 | 420,867 | 2,686,480 |
| Deferred other postemployment benefit resources | 23,750 | 8,787 | 32,537 |
| Total Deferred Outflows of Resources | 2,289,363 | 429,654 | 2,719,017 |
| Liabilities | | | |
| Accounts payable | 454,657 | 3,042,518 | 3,497,175 |
| Contracts payable | 123,926 | 12,599 | 136,525 |
| Due to primary government | - | - | - |
| Due to other governments | 72,279 | 85,109 | 157,388 |
| Accrued interest payable | 202,944 | 314,410 | 517,354 |
| Accrued salaries payable | 351,348 | 339,588 | 690,936 |
| Deposits payable | 5,402 | 444,651 | 450,053 |
| Unearned revenue | 32,987 | - | 32,987 |
| Noncurrent liabilities | | | |
| Due within one year | 2,726,429 | 8,099,144 | 10,825,573 |
| Due in more than one year | 17,661,962 | 45,072,378 | 62,734,340 |
| Net pension liability | 4,894,791 | 5,144,818 | 10,039,609 |
| Other postemployment benefits liability | 500,680 | 258,842 | 759,522 |
| Total Liabilities | 27,027,405 | 62,814,057 | 89,841,462 |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | 3,466,293 | 1,025,920 | 4,492,213 |
| Deferred other postemployment benefit resources | 49,770 | 15,592 | 65,362 |
| Total Deferred Inflows of Resources | 3,516,063 | 1,041,512 | 4,557,575 |
| Net Position | | | |
| Net investment in capital assets | 66,499,781 | 85,016,805 | 151,516,586 |
| Restricted | | | |
| Debt service | 7,533,698 | - | 7,533,698 |
| Future loans | 2,013,723 | - | 2,013,723 |
| Public sites | 209,920 | - | 209,920 |
| Rural fire | 34,469 | - | 34,469 |
| Public safety | 226,754 | - | 226,754 |
| Tax increment activities | 592,698 | - | 592,698 |
| Tree mitigation | 477,315 | - | 477,315 |
| Unrestricted | 11,057,517 | 39,155,727 | 50,213,244 |
| Total Net Position | \$ 88,645,875 | \$ 124,172,532 | \$ 212,818,407 |

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

| Component Units | |
|--------------------------------------|---|
| Economic Development Authority | Housing and Redevelopment Authority |
| \$ 145,691 | \$ 2,138,881 |
| - | 36,482 |
| 281 | 1,600 |
| - | - |
| - | 4,860 |
| - | - |
| - | 43,160 |
| - | - |
| 727 | 741 |
| - | - |
| - | - |
| - | - |
| 1,052 | 4,902 |
| - | 92,775 |
| - | 1,582,371 |
| <u>147,751</u> | <u>3,905,772</u> |
| 7,375 | - |
| 286 | - |
| <u>7,661</u> | <u>-</u> |
| 719 | 42,947 |
| - | - |
| 404 | - |
| - | 37,597 |
| - | - |
| 6,138 | 12,336 |
| - | 36,482 |
| - | 10,247 |
| 816 | 10,349 |
| - | 347,605 |
| 88,708 | - |
| 6,025 | - |
| <u>102,810</u> | <u>497,563</u> |
| 16,556 | - |
| 599 | - |
| <u>17,155</u> | <u>-</u> |
| - | 1,362,146 |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 35,447 | 2,046,063 |
| <u>\$ 35,447</u> | <u>\$ 3,408,209</u> |

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

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

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | \$ 2,435,032 | \$ 677,525 | \$ 7,142 | \$ 88,994 |
| Public safety | 4,987,199 | 1,120,786 | 427,207 | 22,008 |
| Streets and highways | 5,657,370 | 888,371 | 29,280 | 3,657,000 |
| Culture and recreation | 3,766,612 | 1,268,375 | 24,598 | 222,195 |
| Housing and economic development | 392,392 | 73,746 | - | - |
| Cemetery, airport and other | 1,216,593 | 205,034 | 208,007 | 377,301 |
| Interest on long-term debt | 502,343 | - | - | - |
| Total Governmental Activities | <u>18,957,541</u> | <u>4,233,837</u> | <u>696,234</u> | <u>4,367,498</u> |
| Business-type Activities | | | | |
| Electric | 27,345,524 | 27,965,283 | - | - |
| Natural gas | 9,776,175 | 12,501,316 | - | - |
| Water | 2,621,826 | 2,278,265 | 633 | 135,360 |
| Sewer | 3,087,632 | 3,204,763 | 892 | 177,721 |
| Refuse | 1,160,163 | 1,237,112 | 13,156 | - |
| Composting | 2,360,824 | 2,423,121 | 10,744 | - |
| Storm water | 691,435 | 957,189 | 309 | - |
| Liquor | 5,822,275 | 6,371,522 | 860 | - |
| Total Business-type Activities | <u>52,865,854</u> | <u>56,938,571</u> | <u>26,594</u> | <u>313,081</u> |
| Total Primary Government | <u>\$ 71,823,395</u> | <u>\$ 61,172,408</u> | <u>\$ 722,828</u> | <u>\$ 4,680,579</u> |
| Component units | | | | |
| Economic development | \$ 186,069 | \$ 1,926 | \$ 207 | \$ - |
| Housing and redevelopment | 1,022,127 | 354,166 | 404,034 | 84,372 |
| Total Component Units | <u>\$ 1,208,196</u> | <u>\$ 356,092</u> | <u>\$ 404,241</u> | <u>\$ 84,372</u> |

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Sales tax
Hotel/motel tax
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expense) Revenue and
Changes in Net Position

| Primary Government | | | Component Units | |
|----------------------------|-----------------------------|----------------|--------------------------------------|---|
| Governmental Activities | Business-type Activities | Total | Economic Development Authority | Housing and Redevelopment Authority |
| \$ (1,661,371) | | \$ (1,661,371) | | |
| (3,417,198) | | (3,417,198) | | |
| (1,082,719) | | (1,082,719) | | |
| (2,251,444) | | (2,251,444) | | |
| (318,646) | | (318,646) | | |
| (426,251) | | (426,251) | | |
| (502,343) | | (502,343) | | |
| (9,659,972) | | (9,659,972) | | |
| - | 619,759 | 619,759 | | |
| - | 2,725,141 | 2,725,141 | | |
| - | (207,568) | (207,568) | | |
| - | 295,744 | 295,744 | | |
| - | 90,105 | 90,105 | | |
| - | 73,041 | 73,041 | | |
| - | 266,063 | 266,063 | | |
| - | 550,107 | 550,107 | | |
| - | 4,412,392 | 4,412,392 | | |
| (9,659,972) | 4,412,392 | (5,247,580) | | |
| | | | \$ (183,936) | \$ - |
| | | | - | (179,555) |
| | | | (183,936) | (179,555) |
| 5,131,925 | - | 5,131,925 | 182,054 | 185,746 |
| 2,200,000 | - | 2,200,000 | - | - |
| 165,193 | - | 165,193 | - | - |
| - | 1,537,844 | 1,537,844 | - | - |
| 110,155 | - | 110,155 | - | - |
| 189,233 | - | 189,233 | - | - |
| 2,421,043 | - | 2,421,043 | - | - |
| 692,739 | 1,183,696 | 1,876,435 | 4,352 | 25,213 |
| 59,757 | 102,658 | 162,415 | - | - |
| 1,849,356 | (1,849,356) | - | - | - |
| 12,819,401 | 974,842 | 13,794,243 | 186,406 | 210,959 |
| 3,159,429 | 5,387,234 | 8,546,663 | 2,470 | 31,404 |
| 85,486,446 | 118,785,298 | 204,271,744 | 32,977 | 3,376,805 |
| \$ 88,645,875 | \$ 124,172,532 | \$ 212,818,407 | \$ 35,447 | \$ 3,408,209 |

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

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FUND FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Hutchinson, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

| | General | Debt Service | Community Improvement |
|---|---------------------|---------------------|--------------------------|
| Assets | | | |
| Cash and investments | \$ 7,934,460 | \$ 5,554,264 | \$ 6,238,624 |
| Receivables | | | |
| Interest | 16,474 | - | 6,603 |
| Delinquent taxes | 63,000 | - | - |
| Accounts | 230,687 | - | - |
| Notes | - | - | - |
| Special assessments | - | 1,690,273 | 442,616 |
| Intergovernmental | 63,036 | 9,366 | - |
| Advances to other funds | - | 480,906 | 41,500 |
| Prepaid items | 5,762 | - | - |
| | <u>8,313,419</u> | <u>7,734,809</u> | <u>6,729,343</u> |
| Total Assets | \$ 8,313,419 | \$ 7,734,809 | \$ 6,729,343 |
| Liabilities | | | |
| Accounts payable | \$ 215,934 | \$ 2,500 | \$ 2,564 |
| Contracts payable | - | - | - |
| Advances from other funds | - | - | - |
| Due to other governments | 29,623 | - | - |
| Accrued salaries payable | 342,842 | - | - |
| Deposits payable | 4,370 | - | - |
| Unearned revenue | 32,987 | - | - |
| | <u>625,756</u> | <u>2,500</u> | <u>2,564</u> |
| Total Liabilities | 625,756 | 2,500 | 2,564 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | |
| Taxes | 63,000 | - | - |
| Special assessments | - | 1,690,273 | 442,616 |
| Interest receivable | - | 43,058 | - |
| Intergovernmental | - | - | - |
| | <u>63,000</u> | <u>1,733,331</u> | <u>442,616</u> |
| Total Deferred Inflows of Resources | 63,000 | 1,733,331 | 442,616 |
| Fund Balances | | | |
| Nonspendable | 5,762 | - | - |
| Restricted | 226,754 | 5,998,978 | - |
| Committed | 5,381,040 | - | 3,507,022 |
| Assigned | - | - | 2,777,141 |
| Unassigned | 2,011,107 | - | - |
| | <u>7,624,663</u> | <u>5,998,978</u> | <u>6,284,163</u> |
| Total Fund Balances | 7,624,663 | 5,998,978 | 6,284,163 |
| | <u>8,313,419</u> | <u>7,734,809</u> | <u>6,729,343</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 8,313,419 | \$ 7,734,809 | \$ 6,729,343 |

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

| Special Assessment Improvement 2017 | Special Assessment Improvement 2018 | Special Assessment Improvement 2019 | Other Governmental Funds | Totals |
|--|--|--|--------------------------------|----------------------|
| \$ - | \$ 66,710 | \$ - | \$ 3,905,706 | \$ 23,699,764 |
| - | 165 | 170 | 9,296 | 32,708 |
| - | - | - | - | 63,000 |
| - | - | - | 4,448 | 235,135 |
| - | - | - | 1,188,975 | 1,188,975 |
| - | - | - | - | 2,132,889 |
| - | - | 322,650 | 836,759 | 1,231,811 |
| - | - | - | 1,351,117 | 1,873,523 |
| - | - | - | 260 | 6,022 |
| <u>\$ -</u> | <u>\$ 66,875</u> | <u>\$ 322,820</u> | <u>\$ 7,296,561</u> | <u>\$ 30,463,827</u> |
| \$ - | \$ 22 | \$ 94,130 | \$ 125,767 | \$ 440,917 |
| - | - | 97,185 | 26,741 | 123,926 |
| - | - | 937,584 | 911,272 | 1,848,856 |
| - | - | 856 | 41,800 | 72,279 |
| - | - | - | 8,506 | 351,348 |
| - | - | - | 1,032 | 5,402 |
| - | - | - | - | 32,987 |
| <u>-</u> | <u>22</u> | <u>1,129,755</u> | <u>1,115,118</u> | <u>2,875,715</u> |
| - | - | - | - | 63,000 |
| - | - | - | - | 2,132,889 |
| - | - | - | - | 43,058 |
| - | - | - | 818,492 | 818,492 |
| - | - | - | 818,492 | 3,057,439 |
| - | - | - | 260 | 6,022 |
| - | - | - | 3,328,125 | 9,553,857 |
| - | - | - | 106,017 | 8,994,079 |
| - | 66,853 | - | 2,827,751 | 5,671,745 |
| - | - | (806,935) | (899,202) | 304,970 |
| <u>-</u> | <u>66,853</u> | <u>(806,935)</u> | <u>5,362,951</u> | <u>24,530,673</u> |
| <u>\$ -</u> | <u>\$ 66,875</u> | <u>\$ 322,820</u> | <u>\$ 7,296,561</u> | <u>\$ 30,463,827</u> |

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

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

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

| | |
|---|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 24,530,673 |
| Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds. | 84,100,476 |
| 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 | |
| Severance payable | (500,479) |
| Other post-employment benefit obligation | (500,680) |
| Net pension liability | (4,894,791) |
| Bonds payable | (18,785,000) |
| Notes payable | (30,000) |
| Bond premiums issued, net of accumulated amortization | (537,873) |
| Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds. | |
| Delinquent property taxes receivable | 63,000 |
| Special assessments receivable | 2,132,889 |
| Intergovernmental receivable | 818,492 |
| Interest receivable | 43,058 |
| Governmental funds do not report long-term amounts related to pensions and other post employment benefits. | |
| Deferred outflows of pension resources | 2,265,613 |
| Deferred inflows of pension resources | (3,466,293) |
| Deferred outflows of other postemployment benefit resources | 23,750 |
| Deferred inflows of other postemployment benefit resources | (49,770) |
| Governmental funds do not report a liability for accrued interest until due and payable. | (198,611) |
| Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. | <u>3,631,421</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 88,645,875</u></u> |

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

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

| | General | Debt Service | Community Improvement | Special Assessment Improvement 2017 |
|--|---------------------|---------------------|--------------------------|--|
| Revenues | | | | |
| Taxes | \$ 5,413,469 | \$ 1,884,862 | \$ - | \$ - |
| Special assessments | - | 904,094 | 19,892 | - |
| Licenses and permits | 529,002 | - | - | - |
| Intergovernmental | 1,703,966 | - | - | 175,964 |
| Charges for services | 2,451,699 | - | - | - |
| Fines and forfeits | 67,225 | - | - | - |
| Investment earnings | 234,097 | 90,351 | 160,268 | 1,128 |
| Miscellaneous | 408,713 | - | 12,000 | - |
| Total Revenues | <u>10,808,171</u> | <u>2,879,307</u> | <u>192,160</u> | <u>177,092</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,329,239 | - | - | - |
| Public safety | 4,637,527 | - | - | - |
| Streets and highways | 1,984,824 | - | - | - |
| Culture and recreation | 2,887,092 | - | - | - |
| Housing and economic development | - | - | - | - |
| Miscellaneous | 973,641 | - | - | - |
| Capital outlay | | | | |
| General government | - | - | 28,563 | - |
| Public safety | - | - | - | - |
| Streets and highways | - | - | 20,219 | - |
| Culture and recreation | 8,200 | - | 57,385 | - |
| Miscellaneous | 9,366 | - | - | - |
| Debt service | | | | |
| Principal | - | 2,080,000 | - | - |
| Interest and other | - | 465,741 | - | - |
| Bond issuance costs | - | - | - | - |
| Total Expenditures | <u>12,829,889</u> | <u>2,545,741</u> | <u>106,167</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(2,021,718)</u> | <u>333,566</u> | <u>85,993</u> | <u>177,092</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | 2,500 | - | - | - |
| Transfers in | 2,497,116 | 74,121 | - | - |
| Bonds issued | - | - | - | - |
| Premium on bonds issued | - | - | - | - |
| Transfers out | (101,970) | - | - | (74,121) |
| Total Other Financing Sources (Uses) | <u>2,397,646</u> | <u>74,121</u> | <u>-</u> | <u>(74,121)</u> |
| Net Change in Fund Balances | 375,928 | 407,687 | 85,993 | 102,971 |
| Fund Balances, January 1 | <u>7,248,735</u> | <u>5,591,291</u> | <u>6,198,170</u> | <u>(102,971)</u> |
| Fund Balances, December 31 | <u>\$ 7,624,663</u> | <u>\$ 5,998,978</u> | <u>\$ 6,284,163</u> | <u>\$ -</u> |

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

| Special Assessment Improvement 2018 | Special Assessment Improvement 2019 | Other Governmental Funds | Total |
|--|--|--------------------------------|----------------------|
| \$ - | \$ - | \$ 153,994 | \$ 7,452,325 |
| - | - | - | 923,986 |
| - | - | - | 529,002 |
| 1,000,000 | 2,107,421 | 1,917,395 | 6,904,746 |
| - | - | 464,690 | 2,916,389 |
| - | - | - | 67,225 |
| 611 | 169 | 144,426 | 631,050 |
| - | - | 437,206 | 857,919 |
| <u>1,000,611</u> | <u>2,107,590</u> | <u>3,117,711</u> | <u>20,282,642</u> |
| - | - | - | 2,329,239 |
| - | - | 120,972 | 4,758,499 |
| - | - | 613,954 | 2,598,778 |
| - | - | 52,261 | 2,939,353 |
| - | - | 319,328 | 319,328 |
| - | - | - | 973,641 |
| - | - | 37,563 | 66,126 |
| - | - | 144,354 | 144,354 |
| 210,424 | 6,694,242 | 306,802 | 7,231,687 |
| - | - | 1,090,977 | 1,156,562 |
| - | - | 464,836 | 474,202 |
| - | - | 30,000 | 2,110,000 |
| - | - | 23,328 | 489,069 |
| - | 54,307 | - | 54,307 |
| <u>210,424</u> | <u>6,748,549</u> | <u>3,204,375</u> | <u>25,645,145</u> |
| <u>790,187</u> | <u>(4,640,959)</u> | <u>(86,664)</u> | <u>(5,362,503)</u> |
| - | - | - | 2,500 |
| - | 1,043,999 | 163,970 | 3,779,206 |
| - | 2,675,000 | - | 2,675,000 |
| - | 135,979 | - | 135,979 |
| - | - | (7,000) | (183,091) |
| - | <u>3,854,978</u> | <u>156,970</u> | <u>6,409,594</u> |
| 790,187 | (785,981) | 70,306 | 1,047,091 |
| <u>(723,334)</u> | <u>(20,954)</u> | <u>5,292,645</u> | <u>23,483,582</u> |
| <u>\$ 66,853</u> | <u>\$ (806,935)</u> | <u>\$ 5,362,951</u> | <u>\$ 24,530,673</u> |

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

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

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

| | |
|--|--------------|
| Net Change in Fund Balances - Governmental Funds | \$ 1,047,091 |
| <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p> | |
| Capital outlay | 8,538,686 |
| Depreciation expense | (3,753,839) |
| <p>The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.</p> | |
| Sale of capital assets | (76,464) |
| Capital contributions to business-type activities, net | (1,654,759) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p> | |
| Principal repayments | 2,110,000 |
| Debt issued or incurred | (2,675,000) |
| Premium on bonds issued, net of amortization expense | (79,848) |
| <p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p> | |
| | (11,677) |
| <p>Long-term pension activity is not reported in governmental funds.</p> | |
| Pension expense | (49,934) |
| Direct aid contributions | 29,716 |
| <p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p> | |
| Property taxes/tax increments | 7,761 |
| Special assessments | (212,415) |
| Intergovernmental | (357,956) |
| Interest earnings | 5,083 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | |
| Compensated absences | 2,268 |
| Other post-employment benefits costs | (17,783) |
| <p>Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.</p> | |
| | 308,499 |
| Change in Net Position - Governmental Activities | \$ 3,159,429 |

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

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 5,437,005 | \$ 5,437,005 | \$ 5,413,469 | \$ (23,536) |
| Licenses and permits | 414,200 | 414,200 | 529,002 | 114,802 |
| Intergovernmental | 1,710,109 | 1,710,109 | 1,703,966 | (6,143) |
| Charges for services | 2,513,202 | 2,513,202 | 2,451,699 | (61,503) |
| Fines and forfeits | 50,000 | 50,000 | 67,225 | 17,225 |
| Investment earnings | 80,000 | 80,000 | 234,097 | 154,097 |
| Miscellaneous | 423,102 | 423,102 | 408,713 | (14,389) |
| Total Revenues | <u>10,627,618</u> | <u>10,627,618</u> | <u>10,808,171</u> | <u>180,553</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,384,144 | 2,384,144 | 2,329,239 | 54,905 |
| Public safety | 4,681,039 | 4,681,039 | 4,637,527 | 43,512 |
| Streets and highways | 1,908,439 | 2,115,939 | 1,984,824 | 131,115 |
| Culture and recreation | 3,022,872 | 3,022,872 | 2,887,092 | 135,780 |
| Miscellaneous | 1,016,329 | 1,008,829 | 973,641 | 35,188 |
| Capital outlay | | | | |
| Culture and recreation | - | - | 8,200 | (8,200) |
| Miscellaneous | 10,000 | 10,000 | 9,366 | 634 |
| Total Expenditures | <u>13,022,823</u> | <u>13,222,823</u> | <u>12,829,889</u> | <u>392,934</u> |
| Deficiency of Revenues | | | | |
| Under Expenditures | <u>(2,395,205)</u> | <u>(2,595,205)</u> | <u>(2,021,718)</u> | <u>573,487</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | - | - | 2,500 | 2,500 |
| Transfers in | 2,497,175 | 2,497,175 | 2,497,116 | (59) |
| Transfers out | (101,970) | (101,970) | (101,970) | - |
| Total Other Financing Sources (Uses) | <u>2,395,205</u> | <u>2,395,205</u> | <u>2,397,646</u> | <u>2,441</u> |
| Net Change in Fund Balances | - | (200,000) | 375,928 | 575,928 |
| Fund Balances, January 1 | <u>7,248,735</u> | <u>7,248,735</u> | <u>7,248,735</u> | <u>-</u> |
| Fund Balances, December 31 | <u>\$ 7,248,735</u> | <u>\$ 7,048,735</u> | <u>\$ 7,624,663</u> | <u>\$ 575,928</u> |

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

City of Hutchinson, Minnesota
Statement of Net Position
Proprietary Funds (Continued on the Following Pages)
December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|-------------------|-------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Assets | | | |
| Current Assets | | | |
| Cash and investments | \$ - | \$ 5,409,169 | \$ 8,183,935 |
| Receivables | | | |
| Interest | - | 9,058 | 16,084 |
| Accounts, net of allowance of \$79,851 | 59,785 | 200,778 | 263,205 |
| Sales tax | - | - | - |
| Intergovernmental | - | 79,034 | 84,738 |
| Advances to other funds | - | 61,718 | 95,577 |
| Inventories | 705,288 | - | - |
| Prepaid items | 3,260 | 72 | 199 |
| Total Current Assets | 768,333 | 5,759,829 | 8,643,738 |
| Noncurrent Assets | | | |
| Restricted assets | | | |
| Cash and investments | - | - | - |
| Advances to other funds | - | - | 107,796 |
| Capital assets | | | |
| Land | 308,072 | 16,282 | 311,915 |
| Buildings and structures | 1,631,037 | 17,698,455 | 28,270,454 |
| Infrastructure and improvements | 141,207 | 17,608,414 | 20,811,017 |
| Machinery and equipment | 120,992 | 3,572,738 | 6,424,507 |
| Automotive equipment | - | 87,948 | 423,327 |
| Construction in progress | - | - | 1,081,272 |
| Less accumulated depreciation | (1,067,542) | (18,142,815) | (33,167,803) |
| Total Capital Assets (Net of Accumulated Depreciation) | 1,133,766 | 20,841,022 | 24,154,689 |
| Total Noncurrent Assets | 1,133,766 | 20,841,022 | 24,262,485 |
| Total Assets | 1,902,099 | 26,600,851 | 32,906,223 |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | 30,733 | 22,602 | 31,885 |
| Deferred other postemployment benefit resources | 1,144 | 1,144 | 2,004 |
| Total Deferred Outflows of Resources | 31,877 | 23,746 | 33,889 |

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

| <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|--|-------------------------|----------------------|---------------------|
| <u>Public Utilities</u> | <u>Other</u> | <u>Total</u> | <u>Activities -</u> |
| <u>Commission</u> | <u>Enterprise Funds</u> | | <u>Internal</u> |
| | | | <u>Service</u> |
| | | | <u>Funds</u> |
| \$20,840,130 | \$ 5,688,543 | \$ 40,121,777 | \$ 1,854,745 |
| 115,964 | 12,039 | 153,145 | 3,790 |
| 3,477,838 | 235,899 | 4,237,505 | - |
| 88,591 | - | 88,591 | - |
| - | 64,882 | 228,654 | 22,530 |
| - | - | 157,295 | - |
| 1,875,616 | 1,181,045 | 3,761,949 | - |
| 77,865 | 2,254 | 83,650 | - |
| <u>26,476,004</u> | <u>7,184,662</u> | <u>48,832,566</u> | <u>1,881,065</u> |
| 5,121,050 | - | 5,121,050 | - |
| - | - | 107,796 | - |
| 559,528 | 798,584 | 1,994,381 | - |
| - | 2,412,521 | 50,012,467 | - |
| 137,573,574 | 6,659,672 | 182,793,884 | - |
| - | 4,184,155 | 14,302,392 | 1,514,563 |
| - | 845,781 | 1,357,056 | 3,856,487 |
| 15,823,438 | - | 16,904,710 | - |
| <u>(75,065,273)</u> | <u>(6,078,817)</u> | <u>(133,522,250)</u> | <u>(3,083,833)</u> |
| <u>78,891,267</u> | <u>8,821,896</u> | <u>133,842,640</u> | <u>2,287,217</u> |
| <u>84,012,317</u> | <u>8,821,896</u> | <u>139,071,486</u> | <u>2,287,217</u> |
| <u>110,488,321</u> | <u>16,006,558</u> | <u>187,904,052</u> | <u>4,168,282</u> |
| 290,985 | 44,662 | 420,867 | - |
| 1,347 | 3,148 | 8,787 | - |
| <u>292,332</u> | <u>47,810</u> | <u>429,654</u> | <u>-</u> |

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

City of Hutchinson, Minnesota
Statement of Net Position
Proprietary Funds (Continued)
December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|----------------------|----------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 29,831 | \$ 33,082 | \$ 390,267 |
| Contracts payable | - | - | 12,599 |
| Advances from other funds | 148,103 | - | - |
| Due to other governments | 67,223 | 7,871 | - |
| Accrued interest payable | - | 107,626 | 85,282 |
| Accrued salaries payable | 27,605 | 19,628 | 28,061 |
| Accrued vacation payable | 23,494 | 15,920 | 29,277 |
| Deposits payable | - | - | - |
| Current portion of debt | - | 2,968,000 | 2,413,000 |
| Total Current Liabilities | <u>296,256</u> | <u>3,152,127</u> | <u>2,958,486</u> |
| Noncurrent Liabilities | | | |
| Advances from other funds | - | - | - |
| Accrued vacation payable | 7,547 | 10,634 | 2,198 |
| Other post-employment benefit obligation | 24,121 | 24,121 | 42,238 |
| Net pension liability | 369,646 | 271,844 | 383,496 |
| Capital leases and notes payable | - | - | - |
| Bonds payable | - | 10,462,879 | 9,305,782 |
| Less current portion of debt | - | (2,968,000) | (2,413,000) |
| Total Noncurrent Liabilities | <u>401,314</u> | <u>7,801,478</u> | <u>7,320,714</u> |
| Total Liabilities | <u>697,570</u> | <u>10,953,605</u> | <u>10,279,200</u> |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | 68,989 | 50,736 | 71,573 |
| Deferred other postemployment benefit resources | 2,398 | 2,398 | 4,199 |
| Total Deferred Inflows of Resources | <u>71,387</u> | <u>53,134</u> | <u>75,772</u> |
| Net Position | | | |
| Net investment in capital assets | 1,133,766 | 10,378,143 | 14,848,907 |
| Unrestricted | 31,253 | 5,239,715 | 7,736,233 |
| Total Net Position | <u>\$ 1,165,019</u> | <u>\$ 15,617,858</u> | <u>\$ 22,585,140</u> |

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

| <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|--|-------------------------|-----------------------|---------------------|
| <u>Public Utilities</u> | <u>Other</u> | <u>Total</u> | <u>Activities -</u> |
| <u>Commission</u> | <u>Enterprise Funds</u> | | <u>Internal</u> |
| | | | <u>Service</u> |
| | | | <u>Funds</u> |
| \$ 2,374,021 | \$ 215,317 | \$ 3,042,518 | \$ 13,740 |
| - | - | 12,599 | - |
| - | 33,859 | 181,962 | - |
| - | 10,015 | 85,109 | - |
| 89,542 | 31,960 | 314,410 | 4,333 |
| 224,828 | 39,466 | 339,588 | - |
| 26,317 | 39,027 | 134,035 | - |
| 444,651 | - | 444,651 | - |
| <u>2,319,065</u> | <u>265,044</u> | <u>7,965,109</u> | <u>310,000</u> |
| <u>5,478,424</u> | <u>634,688</u> | <u>12,519,981</u> | <u>328,073</u> |
| - | 107,796 | 107,796 | - |
| 615,119 | 582 | 636,080 | - |
| 102,003 | 66,359 | 258,842 | - |
| 3,582,647 | 537,185 | 5,144,818 | - |
| - | 568,643 | 568,643 | - |
| 30,463,228 | 1,600,875 | 51,832,764 | 535,039 |
| (2,319,065) | (265,044) | (7,965,109) | (310,000) |
| <u>32,443,932</u> | <u>2,616,396</u> | <u>50,583,834</u> | <u>225,039</u> |
| <u>37,922,356</u> | <u>3,251,084</u> | <u>63,103,815</u> | <u>553,112</u> |
| 734,363 | 100,259 | 1,025,920 | - |
| - | 6,597 | 15,592 | - |
| <u>734,363</u> | <u>106,856</u> | <u>1,041,512</u> | <u>-</u> |
| 52,003,611 | 6,652,378 | 85,016,805 | 1,752,178 |
| <u>20,120,323</u> | <u>6,044,050</u> | <u>39,171,574</u> | <u>1,862,992</u> |
| <u>\$72,123,934</u> | <u>\$ 12,696,428</u> | 124,188,379 | <u>\$ 3,615,170</u> |
| Adjustment to reflect the consolidation | | | |
| of internal service fund activities | | | |
| related to enterprise funds. | | | |
| | | <u>(15,847)</u> | |
| Net position of business-type | | | |
| activities | | | |
| | | <u>\$ 124,172,532</u> | |

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

City of Hutchinson, Minnesota
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds (Continued on the Following Pages)
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|------------------|------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Operating Revenues | | | |
| Sales | \$ 6,369,118 | \$ - | \$ - |
| Cost of sales | (4,919,604) | - | - |
| Gross Profit | 1,449,514 | - | - |
| Charges for services | - | 2,201,413 | 3,157,304 |
| Penalties | - | 10,777 | 13,578 |
| Other operating revenue | 860 | 633 | 892 |
| Total Operating Revenues | <u>1,450,374</u> | <u>2,212,823</u> | <u>3,171,774</u> |
| Operating Expenses | | | |
| Personal services | 651,090 | 525,869 | 717,613 |
| Supplies and maintenance | 20,763 | 150,204 | 219,334 |
| Other services and charges | 138,668 | 564,990 | 867,294 |
| Depreciation and depletion | 82,634 | 1,078,696 | 1,053,799 |
| Production | - | - | - |
| Purchased power/gas | - | - | - |
| Transmission | - | - | - |
| Distribution | - | - | - |
| Customer accounts expense | - | - | - |
| Sales expense | - | - | - |
| Administration and general | - | - | - |
| Total Operating Expenses | <u>893,155</u> | <u>2,319,759</u> | <u>2,858,040</u> |
| Operating Income (Loss) | <u>557,219</u> | <u>(106,936)</u> | <u>313,734</u> |
| Nonoperating Revenues (Expenses) | | | |
| Property taxes | - | - | - |
| Sales tax | - | 768,922 | 768,922 |
| Intergovernmental | - | - | - |
| Interest earnings | 982 | 141,797 | 237,690 |
| Rents | - | 55,850 | 5,030 |
| Merchandise and contract work, net | - | - | - |
| Other income | 2,146 | 10,225 | 28,851 |
| Gain (loss) on sale of capital assets | - | - | 5,192 |
| Interest expense - customer accounts and other | (9,825) | - | - |
| Interest expense - bonds | - | (314,227) | (241,833) |
| Bond premium amortization | - | 11,326 | 11,410 |
| Total Nonoperating Revenues (Expenses) | <u>(6,697)</u> | <u>673,893</u> | <u>815,262</u> |

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

| Business-type Activities - Enterprise Funds | | | Governmental |
|---|------------------|--------------|--------------|
| Public Utilities | Other | | Activities - |
| Commission | Enterprise Funds | Total | Internal |
| | | | Service |
| | | | Funds |
| \$ - | \$ 2,420,379 | \$ 8,789,497 | \$ - |
| - | (1,567,337) | (6,486,941) | - |
| - | 853,042 | 2,302,556 | - |
| 38,430,521 | 2,180,179 | 45,969,417 | 390,312 |
| - | 7,804 | 32,159 | - |
| 1,961,587 | 1,250 | 1,965,222 | - |
| 40,392,108 | 3,042,275 | 50,269,354 | 390,312 |
| - | 899,314 | 2,793,886 | - |
| - | 190,459 | 580,760 | - |
| - | 1,113,682 | 2,684,634 | 100,797 |
| 3,807,479 | 380,945 | 6,403,553 | 389,250 |
| 3,776,245 | - | 3,776,245 | - |
| 19,998,892 | - | 19,998,892 | - |
| 3,248,052 | - | 3,248,052 | - |
| 2,348,101 | - | 2,348,101 | - |
| 425,635 | - | 425,635 | - |
| 304,720 | - | 304,720 | - |
| 2,258,657 | - | 2,258,657 | - |
| 36,167,781 | 2,584,400 | 44,823,135 | 490,047 |
| 4,224,327 | 457,875 | 5,446,219 | (99,735) |
| - | - | - | 336,420 |
| - | - | 1,537,844 | - |
| - | 22,959 | 22,959 | - |
| 617,459 | 185,768 | 1,183,696 | 56,606 |
| - | - | 60,880 | - |
| (63,843) | - | (63,843) | - |
| 138,334 | 9,060 | 188,616 | - |
| - | 97,466 | 102,658 | 54,272 |
| - | - | (9,825) | - |
| (1,172,983) | (71,062) | (1,800,105) | (10,941) |
| 219,065 | 9,167 | 250,968 | 7,520 |
| (261,968) | 253,358 | 1,473,848 | 443,877 |

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

City of Hutchinson, Minnesota
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds (Continued)
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|----------------------|----------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Income Before Contributions and Transfers | \$ 550,522 | \$ 566,957 | \$ 1,128,996 |
| Capital Contributions From Other Funds | - | 711,419 | 307,968 |
| Capital Contributions From Others | - | - | - |
| Other Capital Contributions | | | |
| Special assessments | - | 137 | - |
| Connection fees | - | 135,223 | 177,721 |
| Transfers Out | (500,000) | (432,750) | (96,132) |
| Change in Net Position | 50,522 | 980,986 | 1,518,553 |
| Net Position, January 1 | 1,114,497 | 14,636,872 | 21,066,587 |
| Net Position, December 31 | <u>\$ 1,165,019</u> | <u>\$ 15,617,858</u> | <u>\$ 22,585,140</u> |

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

| <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|--|-------------------------|-----------------------|---------------------|
| Public Utilities | Other | | Activities - |
| <u>Commission</u> | <u>Enterprise Funds</u> | <u>Total</u> | Internal |
| | | | Service |
| | | | Funds |
| \$ 3,962,359 | \$ 711,233 | \$ 6,920,067 | \$ 344,142 |
| - | 635,372 | 1,654,759 | - |
| - | - | - | 60,000 |
| - | - | 137 | - |
| - | - | 312,944 | - |
| <u>(1,675,116)</u> | <u>(800,117)</u> | <u>(3,504,115)</u> | <u>(92,000)</u> |
| 2,287,243 | 546,488 | 5,383,792 | 312,142 |
| <u>69,836,691</u> | <u>12,149,940</u> | <u>118,804,587</u> | <u>3,303,028</u> |
| <u>\$ 72,123,934</u> | <u>\$ 12,696,428</u> | <u>\$ 124,188,379</u> | <u>\$ 3,615,170</u> |

Change in net position as shown above \$ 5,383,792

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. 3,442

Change in net position of business-type activities. \$ 5,387,234

City of Hutchinson, Minnesota
Statement of Cash Flows
Proprietary Funds (Continued on Following Pages)
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|---|---------------------|---------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 6,373,961 | \$ 2,225,087 | \$ 3,238,443 |
| Receipts from interfund services provided | - | - | - |
| Other receipts | 2,146 | 66,075 | 33,881 |
| Payments to vendors and suppliers | (5,225,310) | (722,900) | (850,099) |
| Payments to or on behalf of employees | (655,462) | (506,084) | (687,697) |
| Net Cash Provided by Operating Activities | <u>495,335</u> | <u>1,062,178</u> | <u>1,734,528</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers out | (500,000) | (432,750) | (96,132) |
| Grants received | - | - | - |
| Net Cash Used by Noncapital Financing Activities | <u>(500,000)</u> | <u>(432,750)</u> | <u>(96,132)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition of capital assets | (9,698) | (362,350) | (655,840) |
| Capital grants and contributions received | - | - | - |
| Proceeds from sale of capital assets | - | - | 5,192 |
| Property taxes received | - | - | - |
| Sales tax received | - | 768,922 | 768,922 |
| Special assessments received | - | 137 | - |
| Connection fees collected | - | 135,223 | 177,721 |
| Net proceeds from issuance of debt | - | 1,767,857 | 1,229,962 |
| Principal paid on long-term debt | - | (1,200,000) | (1,176,000) |
| Interest paid on long-term debt | (9,825) | (318,405) | (247,663) |
| Interfund advance activity for capital improvements | (93,751) | 59,209 | (82,446) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(113,274)</u> | <u>850,593</u> | <u>19,848</u> |
| Cash Flows from Investing Activities | | | |
| Interest received on investments | 982 | 145,434 | 241,881 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (116,957) | 1,625,455 | 1,900,125 |
| Cash and Cash Equivalents, January 1 | <u>116,957</u> | <u>3,783,714</u> | <u>6,283,810</u> |
| Cash and Cash Equivalents, December 31 | <u>\$ -</u> | <u>\$ 5,409,169</u> | <u>\$ 8,183,935</u> |
| Cash and Cash Equivalents, Reported on Statement of Net Position as Follows | | | |
| Unrestricted cash and investments | \$ - | \$ 5,409,169 | \$ 8,183,935 |
| Restricted cash and investments | - | - | - |
| Total Cash and Cash Equivalents | <u>\$ -</u> | <u>\$ 5,409,169</u> | <u>\$ 8,183,935</u> |

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

| Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---------------------------|----------------------|--|
| Public Utilities Commission | Other Enterprise Funds | Total | |
| \$ 38,580,845 | \$ 4,720,586 | \$ 55,138,922 | \$ - |
| - | - | - | 390,312 |
| 1,980,577 | 22,019 | 2,104,698 | - |
| (28,952,557) | (2,825,582) | (38,576,448) | (91,316) |
| (4,623,646) | (839,596) | (7,312,485) | - |
| <u>6,985,219</u> | <u>1,077,427</u> | <u>11,354,687</u> | <u>298,996</u> |
| (1,675,116) | (800,117) | (3,504,115) | (92,000) |
| - | 10,000 | 10,000 | - |
| <u>(1,675,116)</u> | <u>(790,117)</u> | <u>(3,494,115)</u> | <u>(92,000)</u> |
| (4,617,772) | (1,349,487) | (6,995,147) | (300,333) |
| - | - | - | 81,758 |
| - | 213,784 | 218,976 | 57,257 |
| - | - | - | 336,420 |
| - | - | 1,537,844 | - |
| - | - | 137 | - |
| - | - | 312,944 | - |
| - | 473,775 | 3,471,594 | - |
| (1,995,000) | (309,776) | (4,680,776) | (325,000) |
| (1,180,775) | (52,109) | (1,808,777) | (13,650) |
| - | - | (116,988) | - |
| <u>(7,793,547)</u> | <u>(1,023,813)</u> | <u>(8,060,193)</u> | <u>(163,548)</u> |
| 548,759 | 188,628 | 1,125,684 | 57,412 |
| (1,934,685) | (547,875) | 926,063 | 100,860 |
| <u>27,895,865</u> | <u>6,236,418</u> | <u>44,316,764</u> | <u>1,753,885</u> |
| <u>\$ 25,961,180</u> | <u>\$ 5,688,543</u> | <u>\$ 45,242,827</u> | <u>\$ 1,854,745</u> |
| \$ 20,840,130 | \$ 5,688,543 | \$ 40,121,777 | \$ 1,854,745 |
| 5,121,050 | - | 5,121,050 | - |
| <u>\$ 25,961,180</u> | <u>\$ 5,688,543</u> | <u>\$ 45,242,827</u> | <u>\$ 1,854,745</u> |

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

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

| | Business-type Activities - Enterprise Funds | | |
|---|---|-------------------------|-------------------------|
| | 609 | 601 | 602 |
| | Municipal Liquor Store | Water | Sewer |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$ 557,219 | \$ (106,936) | \$ 313,734 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Other income related to operations | 2,146 | 66,075 | 33,881 |
| Depreciation and amortization (see note below) | 82,634 | 1,078,696 | 1,053,799 |
| Pension related adjustments | - | - | - |
| (Increase) decrease in assets | | | |
| Accounts receivable | 3,983 | 12,567 | 72,803 |
| Interest receivable | - | - | - |
| Due from other governments | - | (303) | (6,134) |
| Inventories | (66,941) | - | - |
| Prepaid items | (56) | (72) | (99) |
| (Increase) decrease in deferred outflows of resources | | | |
| Deferred pension resources | 59,338 | 25,760 | 35,085 |
| Deferred other postemployment benefit resources | (155) | (155) | (274) |
| Increase (decrease) in liabilities | | | |
| Accounts payable | (79,470) | 8,313 | 238,203 |
| Due to other funds | - | - | - |
| Due to other governments | 192 | (15,947) | (1,575) |
| Due to third party payers | - | - | - |
| Accrued salaries payable | 482 | 2,900 | 4,382 |
| Accrued vacation payable | 37 | 6,181 | 2,585 |
| Other post-employment benefit obligation | (1,390) | (1,390) | (2,410) |
| Net pension liability | (37,430) | (256) | 6,707 |
| Deposits payable | - | - | - |
| Increase (decrease) in deferred inflows of resources | | | |
| Deferred pension resources | (27,652) | (15,653) | (20,358) |
| Deferred other postemployment benefit resources | 2,398 | 2,398 | 4,199 |
| Net Cash Provided by Operating Activities | <u>\$ 495,335</u> | <u>\$ 1,062,178</u> | <u>\$ 1,734,528</u> |
| Schedule of Noncash Investing, Capital and Financing Activities | | | |
| Capital contributions from other funds | \$ - | \$ 711,419 | \$ 307,968 |
| Gain (loss) on disposal of capital assets | \$ - | \$ - | \$ - |
| Book value of disposed/traded capital assets | \$ - | \$ - | \$ - |
| Amortization of bond (premium) discount | \$ - | \$ (11,326) | \$ (11,410) |

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

| <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental Activities - Internal Service Funds</u> |
|--|-----------------------------------|----------------------|---|
| <u>Public Utilities Commission</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | |
| \$ 4,224,327 | \$ 457,875 | \$ 5,446,219 | \$ (99,735) |
| 143,191 | 22,019 | 267,312 | - |
| 3,807,479 | 380,945 | 6,403,553 | 389,250 |
| 8,154 | - | 8,154 | - |
| 100,527 | 111,042 | 300,922 | - |
| (68,700) | - | (68,700) | - |
| - | (68) | (6,505) | - |
| (216,866) | (40,387) | (324,194) | - |
| (17,589) | (2,254) | (20,070) | - |
| - | 26,418 | 146,601 | - |
| - | (676) | (1,260) | - |
| (1,088,350) | (53,000) | (974,304) | 9,481 |
| (3,166) | - | (3,166) | - |
| - | (118) | (17,448) | - |
| - | 141,655 | 141,655 | - |
| 37,007 | 7,079 | 51,850 | - |
| 57,354 | 4,461 | 70,618 | - |
| 7,555 | 2,574 | 4,939 | - |
| - | 37,583 | 6,604 | - |
| (5,704) | - | (5,704) | - |
| - | (24,318) | (87,981) | - |
| - | 6,597 | 15,592 | - |
| <u>\$ 6,985,219</u> | <u>\$ 1,077,427</u> | <u>\$ 11,354,687</u> | <u>\$ 298,996</u> |
| <u>\$ -</u> | <u>\$ 635,372</u> | <u>\$ 1,654,759</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 54,272</u> |
| <u>\$ -</u> | <u>\$ 158,965</u> | <u>\$ 158,965</u> | <u>\$ 2,985</u> |
| <u>\$ (219,065)</u> | <u>\$ (9,167)</u> | <u>\$ (250,968)</u> | <u>\$ -</u> |

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

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FIDUCIARY FUNDS

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds.

State Fund: This fund is used to account for activities related to the State of Minnesota's motor vehicle, licensing and DNR services.

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

| | <u>Custodial Fund State</u> |
|--------------------------------|-------------------------------------|
| Assets | |
| Cash and Temporary Investments | <u>\$ 8,806</u> |
| Net Position | |
| Restricted | |
| Other Governments | <u>\$ 8,806</u> |

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

| | Custodial Fund State |
|---|----------------------------|
| Additions | |
| Fees collected on behalf of the state | \$ 5,585,652 |
| Deductions | |
| Payments to state | 5,576,846 |
| Net Increase (Decrease) in Fiduciary Net Position | 8,806 |
| Net Position, January 1 | - |
| Net Position, December 31 | \$ 8,806 |

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Hutchinson (the City) operates under its own Home Rule Charter. The City is governed by an elected mayor and a four-member council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Discretely Presented Component Units. The Hutchinson Housing and Redevelopment Authority (HRA) was created pursuant to Minnesota statutes to carry out housing and redevelopment within the City in accordance with policies established by the City Council. The HRA is presented as a discretely presented component unit as a proprietary fund type. It is classified as a discretely presented component unit because the five-member board consists of five mayor-approved members, the HRA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the HRA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements for the HRA may be obtained at the City's offices.

The Hutchinson Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The EDA is presented as a discretely presented component unit as a governmental fund type. It is classified as a discretely presented component unit because the seven-member board consists of two Council members and five other Council approved members, the EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the EDA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements are not issued for this component unit.

Other Agencies. The Hutchinson Public Utilities Commission (PUC) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has five Council approved members who serve overlapping five-year terms for no more than two successive terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The PUC fund is considered to be part of the primary government and is included with the enterprise funds of this report. Separate financial statements are issued for the PUC and may be obtained at the City's offices.

Joint Ventures

The City has entered into a joint powers agreement with the Minnesota Department of Transportation and McLeod County. The purpose of the agreement is to provide policies and procedures for the joint operation of the Hutchinson Area Transportation Facility. The Joint Powers Board consists of four members. Two members are appointed by the Hutchinson City Council, one member is appointed by the Minnesota Commissioner of Transportation, and one member is appointed by the McLeod County Commissioners. The present budget funding for the operation is as follows:

| | |
|--------------------|------|
| City of Hutchinson | 40 % |
| State of Minnesota | 30 % |
| McLeod County | 30 % |

The City is the fiscal agent for the venture, whose operations are reported as a special revenue fund of the City. Since inception in 1996, the joint venture has accumulated sufficient financial resources from the funding sources to provide for operations. No separate financial statements are issued for this joint venture.

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 activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

The *Community Improvement Projects fund* accounts for the resources to fund various capital improvements and purchases through the City.

The *Special Assessment Improvement 2017 fund* accounts for the resources provided and the infrastructure improvements related to the City's street and parking lot projects for 2017.

The *Special Assessment Improvement 2018 fund* accounts for the resources provided and the infrastructure improvements related to the City's street projects for 2018.

The *Special Assessment Improvement 2019 fund* accounts for the resources provided and the infrastructure improvements related to the City's street projects for 2019.

The City reports the following major proprietary funds:

The *Municipal Liquor fund* is used to account for the operation of the municipal off-sale liquor store.

The *Water fund* is used to account for the operation, maintenance, and capital improvements of the City's water, system.

The *Sewer fund* is used to account for the operation, maintenance, and capital improvements of the City's sewer system.

The *Public Utilities Commission fund* is used to account for the operation, maintenance, and capital improvements, of the municipally owned electric and natural gas systems in the City.

Additionally, the City reports the following fund types:

Internal service funds account for operations that provide central garage and insurance services to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds. The City's Custodial fund accounts for activities of State of Minnesota's motor vehicle, licensing and DNR services.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Policy

The purpose of this policy is to establish specific guidelines the City of Hutchinson will use in the investment of City funds. It will be the responsibility of the City Administrator to invest City Funds in order to attain the highest market rate of return with the maximum security while meeting the daily cash flow demands of the City and protecting the capital of the overall portfolio. Investments will be made in accordance with all state and local statutes governing the investment of public funds.

Investment officers acting in accordance with this policy, with Minnesota statutes, chapter 118A, and exercising due diligences shall be relieved of personal responsibility for an individual security's risk or market price change, provided that reasonable action is taken to control adverse developments and unexpected deviations are reported in a timely manner.

Objective

- A. Safety** - Safety of principal is of critical importance to the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
1. Credit Risk - the risk of loss due to failure of the security issuer or backer, will be minimized by:
 - Limiting investments to the types of securities listed in Section VIII of this investment policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business in accordance with Section VII.
 - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Insurance or collateral may be required to ensure return of principal.
 2. Interest Rate Risk - the risk that the market value of securities in the portfolio will fall due to changes in market interest rates will be minimized to:
 - Provide for liquidity by reviewing cash flow requirements and make investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
 - Manage the average maturity of the overall portfolio to be consistent with the risk of the City.
- B. Liquidity** - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements reasonably anticipated. The portfolio will be structured so that the portfolio emphasizes liquidity and consists largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.
- C. Yield** - The City's investment portfolio shall be designed with the objective of attaining a market rate of return. The core of investments is limited to low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
- A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

Note 1: Summary of Significant Accounting Policies (Continued)

The City Administrator or investment designee will attempt to diversify its investments according to type and maturity. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields. Diversification strategies shall be determined and revised periodically by the City Council for all funds.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

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. There were no changes in valuation techniques that have a significant impact to the City and there are no nonrecurring fair value measurements. The City has the following recurring fair value measurements as of December 31, 2019:

- Government agency securities of \$749,635 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$12,812,326, government agency securities of \$963,066 and negotiable certificates of deposits of \$16,076,977 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection 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 in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the Public Utilities Commission enterprise fund at December 31, 2019 was \$79,851. The other utility funds do not record an allowance because uncollected bills may be certified to the County for collection.

Special Assessments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds are offset by a fund balance nonspendable account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

The inventories are stated at cost on the first-in, first-out (FIFO) method. The cost of inventory is recorded as expenditure at the time inventory is purchased in the General fund and as an expense when consumed in the proprietary fund types.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1 for land and more than \$5,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City 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 the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|------------------------------------|---------|
| Land Improvements | 4 - 25 |
| Buildings and Improvements | 5 - 50 |
| System Improvements/Infrastructure | 20 - 50 |
| Office Furniture and Fixtures | 3 - 15 |
| Machinery and Equipment | 4 - 20 |
| Automotive Equipment | 2 - 10 |

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Pensions

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Hutchinson Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. For the most part, the General fund is typically used to liquidate governmental net pension liability.

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

| | Public Employees Retirement Association of Minnesota (PERA) | | | Fire Relief Association | Total All Plans |
|-----------------|--|------------|----------|----------------------------|--------------------|
| | GERF | PEPFF | PEDCP | | |
| Pension Expense | \$ 940,599 | \$ 372,528 | \$ 1,405 | \$ (73,978) | \$ 1,240,554 |

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as "terminal leave" prior to retirement. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at December 31, 2019. For the most part, the General fund is typically used to liquidate governmental OPEB liabilities.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Deferred Inflows of Resources

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

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of amounts intended to be used for specific purposes set by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the City's fund balance policy, the City Administrator is authorized to establish assignments of fund balance.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

The City's fund balance policy requires an unrestricted fund balance in the General fund of an amount not less than 40 percent of the next year's budgeted expenditures of the General fund.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Rural Fire Department and Hutchinson Area Transportation Facility special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council.

The City amended its 2019 General fund budget to include \$200,000 of expenditures to cover roadway repairs resulting from severe frost boils. General fund balance reserves are being utilized to cover the \$200,000 amended budget deficit.

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

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

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

| <u>Fund</u> | <u>Budget</u> | <u>Actual</u> | <u>Excess of Expenditures Over Appropriations</u> |
|---|---------------|---------------|---|
| Special Revenue | | | |
| Hutchinson Area Transportation Facility | \$ 569,250 | \$ 613,954 | \$ 44,704 |

The excess expenditures over appropriations were funded by more revenues than anticipated.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2019:

| <u>Fund</u> | <u>Amount</u> |
|--|---------------|
| Special Revenue | |
| Tax Increments 2016 | \$ 322,661 |
| TIF #4-17 Enterprise Center | 136,285 |
| TIF #4-19 Highway 7 & 15 Soils Condition | 12,915 |
| TIF #4-20 Warrior Expansion | 9,045 |
| Hutchinson Enterprise Center | 263,464 |
| Capital Projects | |
| Airport Renovation | 105,716 |
| Special Assessment Improvement 2019 | 806,935 |
| Police Facility Construction | 49,116 |

The City intends to fund these deficits through future tax increments and special assessment levies, grants, transfers from other funds and various other sources.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$16,403,017 and the bank balance was \$16,867,221. The bank balance was covered by federal depository insurance and securities pledged by the financial institution's trust department in the City's and the Public Utilities Commission's names. The primary government and the EDA component unit deposits and investments are pooled.

At year end, the HRA's (discretely presented component unit) carrying amount of deposits was \$2,175,363 and the bank balance was \$2,190,873. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the HRA's name.

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

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

| Types of Investments | Credit Quality Ratings (1) | Segmented Time Distribution (2) | Amount | Fair Value Measurement Using | | |
|--|----------------------------|---------------------------------|---------------------|------------------------------|---------------------|-------------|
| | | | | Level 1 | Level 2 | Level 3 |
| Pooled Investments at Amortized Costs | | | | | | |
| Broker Mutual Funds | N/A | less than 1 year | \$23,924,628 | | | |
| Broker Deposits | N/A | less than 6 months | 5,703 | | | |
| Non-pooled Investments at Fair Value | | | | | | |
| Municipal Bonds | AA1 | less than 1 year | 997,915 | \$ - | \$ - | \$ - |
| Municipal Bonds | A1 | less than 1 year | 561,019 | - | 561,019 | - |
| Municipal Bonds | AA | 1 to 5 years | 513,575 | - | 513,575 | - |
| Municipal Bonds | A2 | 1 to 5 years | 8,163,203 | - | 8,163,203 | - |
| Municipal Bonds | A1 | 1 to 5 years | 571,664 | - | 571,664 | - |
| Municipal Bonds | AA1 | 1 to 5 years | 2,004,950 | - | 2,004,950 | - |
| Government Agency Securities | N/A | 1 to 5 years | 749,635 | 749,635 | - | - |
| Government Agency Securities | AA+ | 1 to 5 years | 963,066 | - | 963,066 | - |
| Negotiable Certificates of Deposits | N/A | less than 1 year | 5,383,629 | - | 5,383,629 | - |
| Negotiable Certificates of Deposits | N/A | 1 to 5 years | 9,962,246 | - | 9,962,246 | - |
| Negotiable Certificates of Deposits | N/A | more than 5 years | 731,102 | - | 731,102 | - |
| Total Investments | | | \$54,532,335 | \$ 749,635 | \$28,854,454 | \$ - |

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- **Credit Risk.** The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments to the list on page 74 of the notes.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2019, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments.
- **Interest Rate Risk.** In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

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

Note 3: Detailed Notes on All Funds (Continued)

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$7,675.

Cash and Investments Summary

Cash and investments as shown on the statement of net position for the City as follows:

| | Primary Government | Component Unit - EDA | Component Unit - HRA | Total Reporting Entity |
|----------------------|-----------------------------|--------------------------|----------------------------|------------------------------|
| Deposits | \$ 16,257,326 | \$ 145,691 | \$ 2,175,363 | \$ 18,578,380 |
| Investments | 54,532,335 | - | - | 54,532,335 |
| Cash on Hand | <u>7,675</u> | <u>-</u> | <u>-</u> | <u>7,675</u> |
| Total | <u>\$ 70,797,336</u> | <u>\$ 145,691</u> | <u>\$ 2,175,363</u> | <u>\$ 73,118,390</u> |
| Cash and Investments | | | | |
| Unrestricted | \$ 65,676,286 | \$ 145,691 | \$ 2,138,881 | \$ 67,960,858 |
| Restricted | <u>5,121,050</u> | <u>-</u> | <u>36,482</u> | <u>5,157,532</u> |
| Total | <u>\$ 70,797,336</u> | <u>\$ 145,691</u> | <u>\$ 2,175,363</u> | <u>\$ 73,118,390</u> |

Cash and Investments - Restricted

Cash and investments - restricted are deposits designated by bond covenants in the City's Public Utilities Commission fund for specific purposes. At December 31, 2019, restricted cash and investments consisted of the following:

Primary Government

| | |
|--|----------------------------|
| Hutchinson Public Utilities Commission | |
| Public Utility Revenue Refunding Bonds, Series 2012A | |
| Funds required to be held in a debt service account based on criteria set aside in the bond issuance document. | \$ 2,355,015 |
| Public Utility Revenue Bonds, Series 2017B | |
| Funds required to be held in a debt service account based on criteria set aside in the bond issuance document. | 1,220,557 |
| Invested Unspent Bond Proceeds | <u>1,545,478</u> |
| Total Restricted Cash and Investments | <u>\$ 5,121,050</u> |

Component Unit - HRA

Cash and investments - restricted are tenant security deposits in the HRA at December 31, 2019 in the amount of \$36,482.

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

Note 3: Detailed Notes on All Funds (Continued)

B. Notes Receivable

Primary Government

The City has issued various notes to local residents and businesses which are payable to the City with variable payments and interest rates. The balance on these notes as of December 31, 2019 is \$1,188,975. Most of the notes to local residents do not have to be repaid if they remain property owners for ten years. This applies to Housing Rehabilitation Grant special revenue fund notes totaling \$513,612. This City also has TIF loans that do not have to be repaid if they remain in the property for five years totaling \$154,808. The Economic Development Loan fund has notes with local businesses outstanding of \$148,420 and the Minnesota Investment funds has loans outstanding of \$15,954. The City also has notes receivable in the Energy Loan fund of \$356,181 at year end.

Component Unit - HRA

The HRA has received grants to be used for economic development and housing redevelopment services. The proceeds of these grants were loan to individuals and are to be paid back to the HRA. The balances of these notes at December 31, 2019 is \$43,160.

C. Capital Assets

Primary Government

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-----------------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 8,992,736 | \$ - | \$ - | \$ 8,992,736 |
| Construction in progress | 5,848,137 | 3,962,296 | (6,471,692) | 3,338,741 |
| Total Capital Assets not Being Depreciated | <u>14,840,873</u> | <u>3,962,296</u> | <u>(6,471,692)</u> | <u>12,331,477</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and structures | 11,791,325 | 1,096,146 | (9,699) | 12,877,772 |
| Infrastructure and improvements | 100,333,398 | 7,963,883 | (2,531,890) | 105,765,391 |
| Machinery and equipment | 5,003,361 | 459,037 | (152,286) | 5,310,112 |
| Automotive equipment | 4,958,417 | 174,590 | (164,051) | 4,968,956 |
| Total Capital Assets Being Depreciated | <u>122,086,501</u> | <u>9,693,656</u> | <u>(2,857,926)</u> | <u>128,922,231</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and structures | (5,065,655) | (307,244) | 9,699 | (5,363,200) |
| Infrastructure and improvements | (42,231,237) | (3,181,333) | 2,466,151 | (42,946,419) |
| Machinery and equipment | (3,059,070) | (355,655) | 140,978 | (3,273,747) |
| Automotive equipment | (3,145,441) | (298,857) | 161,649 | (3,282,649) |
| Total Accumulated Depreciation | <u>(53,501,403)</u> | <u>(4,143,089)</u> | <u>2,778,477</u> | <u>(54,866,015)</u> |
| Total Capital Assets Being Depreciated, Net | <u>68,585,098</u> | <u>5,550,567</u> | <u>(79,449)</u> | <u>74,056,216</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 83,425,971</u> | <u>\$ 9,512,863</u> | <u>\$ (6,551,141)</u> | <u>\$ 86,387,693</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Business-type Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 1,994,381 | \$ - | \$ - | \$ 1,994,381 |
| Construction in progress | 14,140,742 | 4,441,206 | (1,677,238) | 16,904,710 |
| Total Capital Assets not Being Depreciated | <u>16,135,123</u> | <u>4,441,206</u> | <u>(1,677,238)</u> | <u>18,899,091</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and structures | 49,976,015 | 36,452 | - | 50,012,467 |
| Infrastructure and improvements | 178,488,376 | 4,305,508 | - | 182,793,884 |
| Machinery and equipment | 13,853,275 | 1,031,372 | (582,255) | 14,302,392 |
| Automotive equipment | 1,225,277 | 245,049 | (113,270) | 1,357,056 |
| Total Capital Assets Being Depreciated | <u>243,542,943</u> | <u>5,618,381</u> | <u>(695,525)</u> | <u>248,465,799</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and structures | (27,861,187) | (1,105,809) | - | (28,966,996) |
| Infrastructure and improvements | (87,695,402) | (4,857,025) | - | (92,552,427) |
| Machinery and equipment | (11,132,061) | (529,735) | 579,329 | (11,082,467) |
| Automotive equipment | (966,607) | (67,022) | 113,269 | (920,360) |
| Total Accumulated Depreciation | <u>(127,655,257)</u> | <u>(6,559,591)</u> | <u>692,598</u> | <u>(133,522,250)</u> |
| Total Capital Assets Being Depreciated, Net | <u>115,887,686</u> | <u>(941,210)</u> | <u>(2,927)</u> | <u>114,943,549</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 132,022,809</u> | <u>\$ 3,499,996</u> | <u>\$ (1,680,165)</u> | <u>\$ 133,842,640</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

| | |
|--|----------------------------|
| General government | \$ 52,037 |
| Public safety | 188,787 |
| Streets and highways, including depreciation of general infrastructure assets | 2,710,477 |
| Culture and recreation | 606,681 |
| Housing and economic development | 73,064 |
| Miscellaneous | 122,793 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | <u>389,250</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 4,143,089</u></u> |

Business-type Activities

| | |
|---|----------------------------|
| Electric | \$ 2,728,998 |
| Natural gas | 1,078,481 |
| Water | 1,078,696 |
| Sewer | 1,053,799 |
| Refuse | 132,576 |
| Composting | 70,584 |
| Storm water | 177,785 |
| Liquor | <u>82,634</u> |
| Total Depreciation Expense - Business-type Activities | <u><u>\$ 6,403,553</u></u> |

Construction Commitments

The City has active projects as of December 31, 2019. At year end the City's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|--|----------------------------|-------------------------|
| Elementary Tennis Courts | \$ 508,074 | \$ 26,741 |
| Shady Ridge & Delaware LS Rehab | 93,072 | 4,898 |
| South Grade Road Corridor Improvements | 2,167,664 | 44,221 |
| WWTF Ditch | <u>147,630</u> | <u>7,770</u> |
| Total | <u><u>\$ 2,916,440</u></u> | <u><u>\$ 83,630</u></u> |

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

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------|---------------------------|
| HRA | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 92,775 | \$ - | \$ - | \$ 92,775 |
| Capital Assets Being Depreciated | | | | |
| Buildings and structures | 5,140,698 | 114,439 | (91,940) | 5,163,197 |
| Machinery and equipment | 586,119 | 94,732 | (22,421) | 658,430 |
| Total Capital Assets Being Depreciated | <u>5,726,817</u> | <u>209,171</u> | <u>(114,361)</u> | <u>5,821,627</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and structures | (3,571,241) | (207,169) | 77,392 | (3,701,018) |
| Machinery and equipment | (519,369) | (30,129) | 11,260 | (538,238) |
| Total Accumulated Depreciation | <u>(4,090,610)</u> | <u>(237,298)</u> | <u>88,652</u> | <u>(4,239,256)</u> |
| Total Capital Assets Being Depreciated, Net | | | | |
| | <u>1,636,207</u> | <u>(28,127)</u> | <u>(25,709)</u> | <u>1,582,371</u> |
| HRA Capital Assets, Net | <u>\$ 1,728,982</u> | <u>\$ (28,127)</u> | <u>\$ (25,709)</u> | <u>\$ 1,675,146</u> |

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

| | |
|-------------------------------------|-------------------|
| Discretely Presented Component Unit | |
| HRA | <u>\$ 237,298</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Advances from/to Other Funds

| Receivable Fund | Payable Fund | Amount |
|---|---|---------------------------------------|
| Major Governmental Capital Improvement Projects | Major governmental 2019 Improvements | \$ 937,584 |
| | Nonmajor governmental Airport Renovation | 105,720 |
| | Enterprise Liquor | 24,667 |
| Nonmajor Governmental EDA Loan Community Improvement Projects | Nonmajor governmental Hutchinson Enterprise Center Police Facility | 283,146 41,500 |
| Debt Service | Nonmajor governmental Tax Increment 2016 TIF #4-17 Enterprise Center TIF #4-19 Highway 7 & 15 Soils Condition TIF #4-20 Warrior Expansion | 322,661 136,285 12,915 9,045 |
| Enterprise Water Sewer | Enterprise Municipal Liquor Store Municipal Liquor Store Storm Water | 61,718 61,718 <u>141,655</u> |
| Totals | | <u><u>\$ 2,138,614</u></u> |

The Capital Improvement Projects fund advanced dollars to the Airport Renovation fund, the 2019 Improvement fund and the Liquor fund as temporary cash advances to eliminate fund deficits. The balances will be paid back as future funding becomes available.

The Community Improvement Fund advanced dollars to the Police Facility Fund as temporary cash advances to eliminate fund deficits. The balance will be paid back as future funding becomes available.

The EDA Loan fund loaned funds to the Hutchinson Enterprise Center fund for construction costs. This balance will be paid back as future funding becomes available.

The Debt Service fund loaned funds to the Tax Increment 2016 fund, the TIF #4-17 Enterprise Center fund, the TIF #4-19 Highway 7 & 15 Soils Condition fund and the TIF #4-20 Warrior Expansion fund to pay for costs identified in the TIF Plans. These balances will be paid back as the TIF districts generate future tax increment revenues.

The Water and Sewer funds loaned the Municipal Liquor Store fund \$1,400,000 for a major remodeling project at the City-owned off-sale liquor store. The loan is to be paid back with annual payments of \$69,000 to \$123,000 including interest at 4.25 percent from December 1, 2006 to December 1, 2020.

The Sewer fund loaned the Storm Water fund for the purchase of a new street sweeper. The loan is to be paid back with annual payment of \$38,109 including interest at 3.00 percent from December 31, 2019 to December 31, 2023.

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

Note 3: Detailed Notes on All Funds (Continued)

Amounts due from/to the EDA component unit representing monthly and year-end charges to other funds are as follows:

| Receivable Entity | Payable Entity | Amount |
|---|-----------------------|---------------|
| Primary Government Internal service - Central Garage | Component unit EDA | <u>\$ 404</u> |

Interfund Transfers

The following transfers were made for the year ended December 31, 2019:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

| Fund | Transfer In | | | | Total |
|--|---------------------|------------------|--------------------------------------|-----------------------|---------------------|
| | General | Debt Service | Special Assessment Improvements 2019 | Nonmajor Governmental | |
| Transfer Out | | | | | |
| General | \$ - | \$ - | \$ - | \$ 101,970 | \$ 101,970 |
| Special Assessments Improvements 2017 | - | 74,121 | - | - | 74,121 |
| Nonmajor governmental | - | - | - | 7,000 | 7,000 |
| Water enterprise | 60,000 | - | 372,750 | - | 432,750 |
| Sewer enterprise | 60,000 | - | 36,132 | - | 96,132 |
| Municipal Liquor Store enterprise | 500,000 | - | - | - | 500,000 |
| Public Utilities Commission enterprise | 1,675,116 | - | - | - | 1,675,116 |
| Nonmajor enterprise | 110,000 | - | 635,117 | 55,000 | 800,117 |
| Self Insurance internal service | 92,000 | - | - | - | 92,000 |
| Total Transfers | <u>\$ 2,497,116</u> | <u>\$ 74,121</u> | <u>\$ 1,043,999</u> | <u>\$ 163,970</u> | <u>\$ 3,779,206</u> |

For the year ended December 31, 2019, the City made the following one-time transfers:

- From the Water fund (\$372,750), the Sewer fund (\$36,132) and the Storm Water fund (\$635,117) to the Special Assessment Improvement 2019 fund for capital expenditures related to the 2019A bond issue.
- From the Self-insurance fund (\$92,000) to the General fund to help fund HSA contributions.
- From the General fund (\$101,970) to the HATS fund for the City's contribution to the HATS facility operating costs.
- From the Refuse fund (\$55,000) to fund the Tree Disease Infestation/Mitigation Plan.
- From the Special Assessments Improvements 2017 fund (\$74,121) to the Debt Service fund to close the capital fund upon completion of the project.

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

Note 3: Detailed Notes on All Funds (Continued)

E. Inventories

Inventories at December 31, 2019 consist of the following:

| Fund | Amount |
|-----------------------------|--------------|
| Municipal Liquor Store | |
| Liquor | \$ 292,235 |
| Wine | 246,922 |
| Beer | 144,144 |
| Miscellaneous | 21,987 |
| Total | 705,288 |
| Composting | |
| Processed materials | 274,508 |
| Bulk product | 459,754 |
| Bagged product | 380,257 |
| Parts | 66,526 |
| Total | 1,181,045 |
| Public Utilities Commission | |
| Electric division | |
| Fuel oil and lubricants | 110,823 |
| Plant | 6,376 |
| Engine parts | 797,207 |
| Distribution materials | 371,042 |
| Transformers | 138,532 |
| Total | 1,423,980 |
| Natural gas division | |
| Fittings | 148,066 |
| Transmission line gas | 303,570 |
| Total | 451,636 |
| Totals | \$ 3,761,949 |

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

Note 3: Detailed Notes on All Funds (Continued)

F. Long-term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Primary Government Debt - Governmental Activity Debt

General Obligation Special Assessment Bonds

These bonds were issued to finance various improvements and will be repaid primarily by ad valorem tax levies. Some issues, however, are partly financed from special assessments levied on the properties benefiting from the improvements.

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|---------------------------|------------------------------|----------------------|----------------------|---------------------------|
| Improvement Bonds of 2009D Improvement and Refunding Bonds of 2010C | \$ 2,255,000 4,595,000 | 2.00 - 3.63 % 3.00 - 3.13 | 11/05/09 11/10/10 | 02/01/24 02/01/25 | \$ 700,000 530,000 |
| Improvement Bonds of 2011A | 2,830,000 | 0.50 - 3.25 | 11/02/11 | 02/01/27 | 1,335,000 |
| G.O. Refunding Bonds of 2012B | 2,095,000 | 3.00 | 07/25/12 | 02/01/21 | 305,000 |
| Improvement Bonds of 2012C | 2,275,000 | 2.00 - 2.50 | 10/30/12 | 02/01/28 | 1,270,000 |
| Improvement Bonds of 2013A Improvement and Refunding Bonds of 2014A | 2,230,000 3,415,000 | 2.00 - 3.50 2.00 - 3.00 | 09/05/13 11/04/14 | 02/01/29 02/01/30 | 1,430,000 2,080,000 |
| Improvement Bonds of 2015A | 2,140,000 | 2.85 - 3.00 | 10/01/15 | 02/01/31 | 1,740,000 |
| Improvement Bonds of 2016A | 3,880,000 | 2.00 | 10/06/16 | 02/01/32 | 2,630,000 |
| Improvement Bonds of 2017A | 2,445,000 | 2.00 - 3.00 | 10/31/17 | 02/01/33 | 2,215,000 |
| Improvement Bonds of 2018A | 2,395,000 | 3.00 - 4.00 | 10/31/18 | 02/01/34 | 2,395,000 |
| Improvement Bonds of 2019A | 2,675,000 | 2.00 - 3.00 | 11/05/19 | 02/01/35 | 2,675,000 |
| Total G.O. Special Assessment Bonds | | | | | <u>\$ 19,305,000</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

| <u>Year Ending December 31,</u> | G.O. Special Assessment Bonds | | |
|-------------------------------------|--------------------------------------|----------------------------|-----------------------------|
| | <u>Governmental Activities</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | \$ 2,295,000 | \$ 482,764 | \$ 2,777,764 |
| 2021 | 2,090,000 | 444,245 | 2,534,245 |
| 2022 | 2,075,000 | 387,063 | 2,462,063 |
| 2023 | 1,940,000 | 330,985 | 2,270,985 |
| 2024 | 1,690,000 | 279,923 | 1,969,923 |
| 2025 - 2029 | 6,305,000 | 802,496 | 7,107,496 |
| 2030 - 2034 | 2,785,000 | 160,878 | 2,945,878 |
| 2035 | 125,000 | 1,328 | 126,328 |
| Total | <u>\$ 19,305,000</u> | <u>\$ 2,889,681</u> | <u>\$ 22,194,681</u> |

Contracts Payable

Various obligations were issued by the City for purchase of land, buildings and equipment. These contracts are general obligations of the City and will be retired through Capital Improvement Projects fund operations.

| <u>Description</u> | <u>Authorized and issued</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Balance at Year End</u> |
|-----------------------------------|----------------------------------|--------------------------|-----------------------|--------------------------|------------------------------------|
| McLeod Rail Authority Contract | \$ 600,000 | 0.00 % | 08/12/04 | 08/12/20 | <u>\$ 30,000</u> |

The annual debt service requirements to maturity for contracts payable are as follows:

| <u>Year Ending December 31,</u> | Contracts | | |
|-------------------------------------|--------------------------------|-----------------|------------------|
| | <u>Governmental Activities</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | <u>\$ 30,000</u> | <u>\$ -</u> | <u>\$ 30,000</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activity Debt

General Obligation Revenue Bonds

These bonds were issued to finance capital improvements to the Water, Sewer and Storm Water funds. These bonds will be retired from net revenue of these enterprise funds.

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|--|--------------------------|------------------|---------------|------------------|---------------------------------|
| G.O. Water Revenue Bonds of 2005 (PFA) | \$ 5,696,371 | 2.53 % | 09/28/05 | 08/20/24 | \$ 1,770,370 |
| G.O. Water Revenue Bonds of 2006 (PFA) | 12,216,000 | 2.63 | 08/07/06 | 08/20/25 | 4,617,000 |
| G.O. Sewer Revenue Bonds of 2007 (PFA) | 13,696,602 | 2.15 | 06/26/07 | 08/20/26 | 6,073,000 |
| G.O. Sewer Refunding Bonds of 2009A | 2,025,000 | 3.25 - 4.20 | 07/07/09 | 02/01/25 | 1,425,000 |
| G.O. Water Refunding Bonds of 2009B | 1,735,000 | 4.05 - 4.40 | 07/07/09 | 02/01/29 | 1,735,000 |
| G.O. Water and Sewer Refunding Bonds of 2012B | 2,700,000 | 3.00 | 10/30/12 | 02/01/28 | 1,105,000 |
| G.O. Storm Water Bonds of 2018B | 1,550,000 | 3.00 - 4.00 | 10/31/18 | 02/01/29 | 1,550,000 |
| G.O. Water and Sewer Refunding Bonds of 2019A | 2,790,000 | 2.00 - 3.00 | 11/05/19 | 02/01/29 | <u>2,790,000</u> |
| Total G.O. Revenue Bonds | | | | | <u><u>\$ 21,065,370</u></u> |

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

| Year Ending December 31, | G.O. Revenue Bonds | | |
|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Business-type Activities | | |
| | Principal | Interest | Total |
| 2020 | \$ 5,501,000 | \$ 500,735 | \$ 6,001,735 |
| 2021 | 2,645,000 | 396,532 | 3,041,532 |
| 2022 | 2,722,000 | 328,159 | 3,050,159 |
| 2023 | 2,489,000 | 261,670 | 2,750,670 |
| 2024 | 2,545,370 | 197,316 | 2,742,686 |
| 2025 - 2029 | <u>5,163,000</u> | <u>262,486</u> | <u>5,425,486</u> |
| Total | <u><u>\$ 21,065,370</u></u> | <u><u>\$ 1,946,899</u></u> | <u><u>\$ 23,012,269</u></u> |

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

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water, Sewer and Storm Water funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, restricted sales tax revenues, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

| | Water | Sewer | Storm Water |
|------------------------|--------------|--------------|-------------|
| Revenue | \$ 2,981,745 | \$ 3,940,696 | \$ 951,180 |
| Principal and Interest | 1,518,405 | 1,423,663 | 200,244 |
| Percent of Revenue | 50.9% | 36.1% | 21.1% |

Revenue Bonds

These bonds were issued to finance capital improvements to the Public Utilities Commission. These bonds will be retired from net revenue of this enterprise fund.

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|-------------------------------------|--------------------------|------------------|---------------|------------------|---------------------------|
| Public Utility Revenue | | | | | |
| Refunding Bonds of 2012A | \$ 20,720,000 | 4.00 - 5.00 % | 07/19/12 | 12/01/26 | \$ 12,530,000 |
| Public Utility Revenue Bonds, 2017B | 16,675,000 | 3.00 - 4.00 | 10/31/17 | 12/01/37 | 16,050,000 |
| Total Revenue Bonds | | | | | <u>\$ 28,580,000</u> |

The annual debt service requirements to maturity for revenue bonds are as follows:

| Year Ending December 31, | Revenue Bonds | | |
|-----------------------------|--------------------------|---------------------|----------------------|
| | Business-type Activities | | |
| | Principal | Interest | Total |
| 2020 | \$ 2,100,000 | \$ 1,074,506 | \$ 3,174,506 |
| 2021 | 2,240,000 | 990,506 | 3,230,506 |
| 2022 | 2,430,000 | 900,906 | 3,330,906 |
| 2023 | 2,555,000 | 786,406 | 3,341,406 |
| 2024 | 2,655,000 | 702,456 | 3,357,456 |
| 2025 - 2029 | 8,315,000 | 1,958,356 | 10,273,356 |
| 2030 - 2034 | 4,950,000 | 961,907 | 5,911,907 |
| 2035 - 2037 | 3,335,000 | 206,345 | 3,541,345 |
| Total | <u>\$ 28,580,000</u> | <u>\$ 7,581,388</u> | <u>\$ 36,161,388</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the PUC and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the PUC are as follows:

| | PUC |
|------------------------|---------------|
| Revenue | \$ 38,430,521 |
| Principal and Interest | 3,163,006 |
| Percent of Revenue | 8.2% |

Capital Leases Payable

An obligation was issued by the City for the purchase of equipment in the Compost fund. The obligation will be retired by the net revenue of the enterprise fund. The cost of the Rotochopper was \$476,277 and accumulated depreciation at December 31, 2019 was \$119,069, for a book value of \$357,208. The capitalized asset value of \$476,277 differs from the lease obligation of \$416,277 due to the capitalization of a net gain of \$60,000 on a like-kind trade. The cost of the Komptech Compost Turner was \$475,175 and accumulated depreciation at December 31, 2019 was \$23,759, for a book value of \$451,416. The capitalized asset value of \$475,175 differs from the lease obligation of \$473,775 due to the capitalization of a net gain of \$1,400 on a like-kind trade.

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|----------------------------------|--------------------------|------------------|---------------|------------------|---------------------------|
| Rotochopper Lease | \$ 416,277 | 2.75 % | 08/02/17 | 08/02/21 | \$ 168,676 |
| Komptech Compost Turner | 473,775 | 2.99 | 04/29/19 | 04/29/25 | 399,967 |
| Total Capital Leases Payable | | | | | \$ 568,643 |

The annual debt service requirements to maturity for capital leases payable are as follows:

| Year Ending December 31, | Capital Leases Business-type Activities | | |
|-----------------------------|---|---------------|----------------|
| | Principal | Interest | Total |
| | 2020 | \$ 145,044 | \$ 16,598 |
| 2021 | 149,181 | 12,460 | 161,641 |
| 2022 | 65,603 | 8,205 | 73,808 |
| 2023 | 67,565 | 6,244 | 73,808 |
| 2024 | 69,585 | 4,223 | 73,808 |
| 2025 | 71,666 | 2,143 | 73,808 |
| Total | \$ 568,643 | \$ 49,873 | \$ 618,516 |

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation special assessment bonds | \$ 19,035,000 | \$ 2,675,000 | \$ (2,405,000) | \$ 19,305,000 | \$ 2,295,000 |
| Bond premium | 480,584 | 135,979 | (63,651) | 552,912 | - |
| Total Bonds Payable | <u>19,515,584</u> | <u>2,810,979</u> | <u>(2,468,651)</u> | <u>19,857,912</u> | <u>2,295,000</u> |
| Notes Payable | 60,000 | - | (30,000) | 30,000 | 30,000 |
| Compensated Absences Payable | <u>502,747</u> | <u>435,749</u> | <u>(438,017)</u> | <u>500,479</u> | <u>401,429</u> |
| Governmental Activity Long-term Liabilities | <u>\$ 20,078,331</u> | <u>\$ 3,246,728</u> | <u>\$ (2,936,668)</u> | <u>\$ 20,388,391</u> | <u>\$ 2,726,429</u> |
| Business-type Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation revenue bonds | \$ 20,806,370 | \$ 2,790,000 | \$ (2,531,000) | \$ 21,065,370 | \$ 5,501,000 |
| Revenue bonds | 30,575,000 | - | (1,995,000) | 28,580,000 | 2,100,000 |
| Bond premium | 2,230,543 | 207,819 | (250,968) | 2,187,394 | 219,065 |
| Total Bonds Payable | <u>53,611,913</u> | <u>2,997,819</u> | <u>(4,776,968)</u> | <u>51,832,764</u> | <u>7,820,065</u> |
| Capital Leases Payable | 249,644 | 473,775 | (154,776) | 568,643 | 145,044 |
| Compensated Absences Payable | <u>699,497</u> | <u>554,295</u> | <u>(483,677)</u> | <u>770,115</u> | <u>134,035</u> |
| Business-type Activity Long-term Liabilities | <u>\$ 54,561,054</u> | <u>\$ 4,025,889</u> | <u>\$ (5,415,421)</u> | <u>\$ 53,171,522</u> | <u>\$ 8,099,144</u> |

Refunding Bond

On November 5, 2019, the City issued General Obligation Water and Sewer Refunding Bonds of 2019A for \$2,790,000 to refund the maturities of the City's 2009A and 2009B obligations on February 1, 2020. The savings information on the refunding bonds shows a net present value benefit for the City of \$319,752.

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

Note 3: Detailed Notes on All Funds (Continued)

Component Unit Debt

Loans Payable

The HRA's long-term debt balance as of December 31, 2019 was for the 2013 and 2016 Minnesota Housing Finance Agency Publicly Owned Housing Program.

The HRA's long term debt consists of the following:

On December 12, 2013, the HRA issued an MHFA loan in the amount of \$79,000. The bond is interest free and the loan will be forgiven on December 12, 2033 as long as the HRA complies with the terms and conditions of the loan agreement.

On May 31, 2016, the HRA issued an MHFA loan in the amount of \$234,000. The bond is interest free and the loan will be forgiven on May 31, 2036 as long as the HRA complies with the terms and conditions of the loan agreement.

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|--------------------------|------------------|---------------|------------------|---------------------------|
| 2013 MHFA Loan - Boiler Replacement Project | \$ 79,000 | 0.00 % | 12/12/13 | 12/12/33 | \$ 79,000 |
| 2016 MHFA Loan - Elevator Project | 234,000 | 0.00 | 05/31/16 | 05/31/36 | <u>234,000</u> |
| Total Loans Payable | | | | | <u>\$ 313,000</u> |

Change in Long-term Liabilities

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------------|------------------|--------------------|-------------------|------------------------|
| Component Unit Activities (EDA) | | | | | |
| Compensated Absences Payable | <u>\$ 457</u> | <u>\$ 8,001</u> | <u>\$ (7,642)</u> | <u>\$ 816</u> | <u>\$ 816</u> |
| Component Unit Activities (HRA) | | | | | |
| Loans Payable | \$ 313,000 | \$ - | \$ - | \$ 313,000 | \$ - |
| Compensated Absences Payable | <u>41,351</u> | <u>27,819</u> | <u>(24,216)</u> | <u>44,954</u> | <u>10,349</u> |
| Total | <u>\$ 354,351</u> | <u>\$ 27,819</u> | <u>\$ (24,216)</u> | <u>\$ 357,954</u> | <u>\$ 10,349</u> |

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

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance Classification

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

| | General | Debt Service | Community Improvement | Special Assessment Improvement 2018 | Special Assessment Improvement 2019 | Other Governmental Funds | Total |
|--|---------------------|---------------------|--------------------------|--|--|--------------------------------|---------------------|
| Fund Balances | | | | | | | |
| Nonspendable for | | | | | | | |
| Prepaid items | \$ 5,762 | \$ - | \$ - | \$ - | \$ - | \$ 260 | \$ 6,022 |
| Restricted | | | | | | | |
| Drug forfeiture | 59,999 | - | - | - | - | - | 59,999 |
| Debt service | - | 5,998,978 | - | - | - | - | 5,998,978 |
| E911 System | 166,755 | - | - | - | - | - | 166,755 |
| Parkland dedication | - | - | - | - | - | 184,737 | 184,737 |
| Police Memorial Park maintenance | - | - | - | - | - | 25,183 | 25,183 |
| Rural fire department | - | - | - | - | - | 34,469 | 34,469 |
| Economic development loans | - | - | - | - | - | 490,490 | 490,490 |
| Energy loans | - | - | - | - | - | 922,684 | 922,684 |
| HRA loans | - | - | - | - | - | 80,982 | 80,982 |
| Housing rehabilitation | - | - | - | - | - | 501,198 | 501,198 |
| Minnesota investment | - | - | - | - | - | 18,369 | 18,369 |
| Tax increment financing | - | - | - | - | - | 592,698 | 592,698 |
| Tree mitigation | - | - | - | - | - | 477,315 | 477,315 |
| Total Restricted | 226,754 | 5,998,978 | - | - | - | 3,328,125 | 9,553,857 |
| Committed | | | | | | | |
| Working capital | 5,381,040 | - | - | - | - | - | 5,381,040 |
| Capital projects | - | - | 500,000 | - | - | - | 500,000 |
| Tree escrow | - | - | - | - | - | 88,500 | 88,500 |
| Future Police Facility | - | - | 3,000,000 | - | - | - | 3,000,000 |
| Public arts commission | - | - | 7,022 | - | - | 17,517 | 24,539 |
| Total Committed | 5,381,040 | - | 3,507,022 | - | - | 106,017 | 8,994,079 |
| Assigned | | | | | | | |
| Hutchinson area transportation facility | - | - | - | - | - | 363,395 | 363,395 |
| Development | - | - | - | - | - | 273,289 | 273,289 |
| Public arts commission (maint) | - | - | - | - | - | 8,186 | 8,186 |
| Capital projects | - | - | - | 66,853 | - | 2,182,881 | 2,249,734 |
| Community improvement | - | - | 2,777,141 | - | - | - | 2,777,141 |
| Total Assigned | - | - | 2,777,141 | 66,853 | - | 2,827,751 | 5,671,745 |
| Unassigned | 2,011,107 | - | - | - | (806,935) | (899,202) | 304,970 |
| Total Fund Balance | \$ 7,624,663 | \$ 5,998,978 | \$ 6,284,163 | \$ 66,853 | \$ (806,935) | \$ 5,362,951 | \$24,530,673 |

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERP)

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

Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP 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.

GERP Benefits

GERP benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PEPFP Benefits

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

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

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

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan member were required to contribute 6.50 percent of their annual covered salary in the fiscal year 2019 and the City was required to pay 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2019, 2018 and 2017 were \$813,778, \$735,178 and \$715,812, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$296,227, \$270,509 and \$256,640, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City of Hutchinson reported a liability of \$8,304,222 for its proportionate share of the General Employees Fund's net pension liability of which the EDA's portion was calculated at \$88,708. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$257,988. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.1502 percent which was a 0.0006 percent decrease from its proportion measured as of June 30, 2018.

| | |
|--|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 8,304,222 |
| State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City | 257,988 |
| | 257,988 |
| Total | \$ 8,562,210 |
| | 8,562,210 |

For the year ended December 31, 2019, the City recognized pension expense of \$921,279 for its proportionate share of the General Employees Plan's pension expense of which the EDA's portion was calculated at \$2,400. In addition, the City recognized \$19,320 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

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

| | <u>Primary Government</u> | | <u>Component Unit - EDA</u> | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences Between Expected and Actual Experience | \$ 231,944 | \$ 3,230 | \$ 2,545 | \$ 62 |
| Changes in Actuarial Assumptions | 4,119 | 648,446 | 79 | 7,038 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 818,798 | - | 9,018 |
| Changes in Proportion | 34,919 | 128,552 | 363 | 438 |
| Contributions paid to PERA Subsequent to the Measurement Date | <u>405,193</u> | <u>-</u> | <u>4,388</u> | <u>-</u> |
| Total | <u><u>\$ 676,175</u></u> | <u><u>\$ 1,599,026</u></u> | <u><u>\$ 7,375</u></u> | <u><u>\$ 16,556</u></u> |

The \$409,581 reported as deferred outflows related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| | <u>Primary Government</u> | <u>Component Unit - EDA</u> |
|------|-------------------------------|---------------------------------|
| 2020 | \$ (516,249) | \$ (4,695) |
| 2021 | (650,190) | (7,071) |
| 2022 | (174,844) | (1,946) |
| 2023 | 13,239 | 143 |

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,780,013 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.1672 percent which was a 0.0041 percent increase from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$349,956 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$22,572 for the year ended December 31, 2019 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

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

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

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

| | Primary Government | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences Between Expected and Actual Experience | \$ 79,921 | \$ 292,878 |
| Changes in Actuarial Assumptions | 1,507,294 | 2,012,762 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 352,471 |
| Changes in Proportion | 120,418 | 26,181 |
| Contributions Paid to PERA Subsequent to the Measurement Date | 150,601 | - |
| Total | \$ 1,858,234 | \$ 2,684,292 |

The \$150,601 reported as deferred outflows related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|--------------|
| 2020 | \$ (111,532) |
| 2021 | (236,968) |
| 2022 | (658,747) |
| 2023 | 20,497 |
| 2024 | 10,091 |

E. Actuarial Assumptions

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

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

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 35.5 % | 5.10 % |
| Private Markets | 25.0 | 5.90 |
| Fixed Income | 20.0 | 0.75 |
| International Equity | 17.5 | 5.90 |
| Cash Equivalents | 2.0 | - |
| Total | <u>100.0 %</u> | |

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

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

| | City Proportionate Share of NPL | | |
|------------------------|---------------------------------|-----------------|-------------------------------|
| | 1 Percent Decrease (6.50%) | Current (7.50%) | 1 Percent Increase (8.50%) |
| General Employees Fund | | | |
| Primary government | \$ 13,505,862 | \$ 8,215,514 | \$ 3,847,280 |
| Component unit - EDA | 145,831 | 88,708 | 41,541 |
| Police and Fire Fund | 3,890,777 | 1,780,013 | 34 |

H. Pension Plan Fiduciary Net Position

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

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

Note 5: Defined Contribution Plans

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. *Minnesota statutes*, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

The City's contributions to the DCP for the years ended December 31, 2019, 2018 and 2017 were \$1,405, \$1,090 and \$1,042, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

| Contribution Amount | | Percentage of Covered Payroll | | Required Rate |
|---------------------|----------|-------------------------------|----------|---------------|
| Employee | Employer | Employee | Employer | |
| \$ 1,405 | \$ 1,405 | 5.00% | 5.00% | 5.00% |

Note 6: Defined Contribution Plans (Component Unit)

HRA

All eligible employees as determined by the local HRA HUD approved personnel policy are covered by a pension plan with The Housing Renewal and Local Agency Retirement Plan. The HRA's contributions to the DCP for the years ended December 31, 2019, 2018 and 2017 were \$16,644, \$18,340 and \$19,363, respectively. Pension contributions for the year under the plan were as follows:

| Contribution Amount | | Percentage of Covered Payroll | | Required Rate |
|---------------------|-----------|-------------------------------|----------|---------------|
| Employee | Employer | Employee | Employer | |
| \$ 14,349 | \$ 16,644 | 6.50% | 7.50% | N/A |

Note 7: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

Firefighters, retired and active, of the City are members of the Hutchinson Fire Department Relief Association (the Association). The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The Association was established May 6, 1907, and operates under the provisions of Minnesota statutes, chapters 69 and 424. It is governed by a Board of Trustees made up of nine members, of which six are elected by the members of the Association for three-year terms, the Mayor, the City Clerk and the fire chief, who serve as ex-officio voting members of the board. As of December 31, 2019, the plan covered 31 active firefighters, 2 inactive members and 49 vested terminated fire fighters and 10 surviving beneficiaries whose pension benefits are deferred.

B. Benefits Provided

A fire fighter who completes at least 20 years as an active member of the Municipal Fire Department (the Department) is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times \$17 per month per year of service up to a maximum benefit of \$450 per month. The City has agreed to contribute an annual amount equal to the greater of the statutorily-required amount or \$2,500 per active firefighter.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by property taxes, fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$111,162 in fire state aid to the plan on behalf of the Hutchinson Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2019 were \$111,162. The City's contributions were equal to the required contributions as set by state statute. The City also made \$83,074 of voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of \$44,082 for the plan. The net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2019. The following table presents the changes in net pension liability (asset) during the year:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a-b) |
|---------------------------------------|--------------------------------------|--|--|
| Beginning Balance January 1, 2018 | \$ 2,703,661 | \$ 2,228,001 | \$ 475,660 |
| Changes for the Year | | | |
| Service cost | 39,252 | - | 39,252 |
| Interest on pension liability (asset) | 152,579 | - | 152,579 |
| Actuarial experience (gains)/losses | - | - | - |
| Change in assumptions | (72,427) | - | (72,427) |
| Nonemployer contributions | - | 194,236 | (194,236) |
| Net investment income | - | 377,486 | (377,486) |
| Benefit payments | (178,718) | (178,718) | - |
| Administrative expenses | - | (20,740) | 20,740 |
| Total Net Changes | <u>(59,314)</u> | <u>372,264</u> | <u>(431,578)</u> |
| Ending Balance December 31, 2018 | <u>\$ 2,644,347</u> | <u>\$ 2,600,265</u> | <u>\$ 44,082</u> |

For the year ended December 31, 2019, the City recognized negative pension expense of \$73,978.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 3,735 | \$ 29,022 |
| Changes in Actuarial Assumptions | 148,336 | 54,455 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | <u>-</u> | <u>125,418</u> |
| Total | <u>\$ 152,071</u> | <u>\$ 208,895</u> |

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

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

| | | |
|------|----|----------|
| 2020 | \$ | 7,549 |
| 2021 | | (6,336) |
| 2022 | | (6,944) |
| 2023 | | (51,093) |

E. Actuarial Assumptions

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

| | |
|---|-------|
| Retirement Eligibility at Later of Age 50 and 20 Years of Service | |
| Salary Increases | N/A |
| Discount Rate | 6.00% |
| Inflation Rate | 2.50% |
| Expected Return on Plan Assets | 6.00% |
| 20 Year Municipal Bond Yield | 2.75% |

The following changes in actuarial assumptions occurred in 2019:

- The expected investment return and discount rate increased from 5.75% to 6.00% to reflect updated capital market assumptions.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuations to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Domestic Equities | 45.00 % | 4.76 % |
| International Equities | 15.00 | 5.41 |
| Fixed Income | 25.00 | 2.01 |
| Real Estate | - | 4.53 |
| Cash | 15.00 | 0.74 |
| Total | 100.00 % | |

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

| | <u>1 Percent Decrease (4.75%)</u> | <u>Current (5.75%)</u> | <u>1 Percent Increase (6.75%)</u> |
|----------------------|---------------------------------------|------------------------|---------------------------------------|
| Defined Benefit Plan | \$ 356,311 | \$ 44,082 | \$ (213,964) |

H. Pension Plan Fiduciary Net Position

For financial reporting purposes, the Association's financial statements are not included with the City's financial statements because the Association is not a component unit of the City. The financial statements of the Association may be obtained at the City's offices.

Note 8: Other Information

A. Risk Management

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

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

B. Commitments and Contingencies

The City has received Federal and State grants in current and past years for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The City administration believes such disallowances if any, will be immaterial.

The City is a defendant in various legal proceedings; however, City administration believes that the ultimate disposition of these proceedings will not have a material adverse effect on the City's financial position.

The PUC is committed to purchase 25 MW of its power requirements from Missouri River Power Company through pursuant to the Power Sale Agreement dated April 28, 2010. This contract is effective through January 1, 2046.

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

Note 8: Other Information (Continued)

C. Self-Insurance - Benefit Plans

Self-funded Dental Insurance: The City (internal service self-insurance fund) and Public Utilities Commission (the funds) provide dental insurance coverage to its employees under a self-funded plan. The funds pay the dental insurance claims as they are incurred by the employee up to \$1,000. The Funds record a liability for claims incurred but not reported or paid, which is included in accrued expenses on the balance sheet. Settled claims have not exceeded coverage in either of the past three years.

The claims liability at December 31, 2019 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2019, 2018 and 2017 were:

| Year | January 1 Claims Liability | Current Year Claims and Changes in Estimates | Current Year Claim Payments | December 31 Claims Liability |
|------|----------------------------------|---|-----------------------------------|------------------------------------|
| 2019 | \$ 3,956 | \$ 87,919 | \$ (85,534) | \$ 6,341 |
| 2018 | 6,127 | 97,638 | (99,809) | 3,956 |
| 2017 | 7,577 | 93,145 | (94,595) | 6,127 |

D. Major Customers

For the year ended December 31, 2019, the PUC's Electric Division derived approximately 48 percent of utility revenue from the top five major industrial customers.

For the year ended December 31, 2019, the PUC's Natural Gas Division derived approximately 36 percent of its utility revenue from the top five major industrial customers.

E. Tax Increment Districts

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

F. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. Currently, the City has no general obligation debt outstanding subject to this limit.

G. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2019 was \$1,100,252 for LGA. This accounted 10.2 percent of General fund revenues. In addition to the General fund amount noted above, the City has allocated \$1,301,463 of LGA to the Capital Projects fund.

H. Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

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

Note 9: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City’s plan. The Retiree Health Plan does not issue a publicly available financial report.

At December 31, 2018, the following employees were covered by the benefit terms:

| | City | PUC |
|---|------|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | 3 | - |
| Active Plan Members | 112 | 50 |
| Total Plan Members | 115 | 50 |

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2019, the City did not directly contribute to the Plan, while the implicit contributions totaled \$37,684.

C. Actuarial Methods and Assumptions

The City’s total OPEB liability of \$765,547 was measured as of December 31, 2019. The EDA’s portion of the OPEB liability is \$6,025. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

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

| | City Plan | PUC Plan |
|------------------------------|---|---|
| Discount Rate | 3.80% | 3.71% |
| 20-Year Municipal Bond Yield | 3.80% | 3.31% |
| Inflation Rate | 2.50% | 2.75% |
| Salary Increases | 3.00% | 3.25% |
| Medical Trend Rate | 6.5% in 2019 grading to 5% over 6 years | 6.30% in 2019 grading to 4.4% over 5 ye |

The discount rate used to measure the total OPEB liability was 3.80 percent. Since the plan is not funded (has no assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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

Note 9: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

| | Primary Government | Component Unit | Total OPEB Liability |
|--|-----------------------|--------------------------------------|-------------------------|
| | | Economic Development Authority | |
| Balances at December 31, 2018 | \$ 785,144 | \$ 6,374 | \$ 791,518 |
| Changes for the Year | | | |
| Service cost | 52,405 | 362 | 52,767 |
| Interest | 27,212 | 218 | 27,430 |
| Differences between expected and actual experience | (48,035) | (440) | (48,475) |
| Changes in assumptions or other inputs | (30,506) | (244) | (30,750) |
| Benefit payments | <u>(26,698)</u> | <u>(245)</u> | <u>(26,943)</u> |
| Net Changes | <u>(25,622)</u> | <u>(349)</u> | <u>(25,971)</u> |
| Balances at December 31, 2019 | <u>\$ 759,522</u> | <u>\$ 6,025</u> | <u>\$ 765,547</u> |

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.30% to 3.80% for the City plan and from 3.31% to 3.71% for the PUC plan.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City and the EDA, as well as what the City's and EDA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

| | City Plan | | |
|----------------------|-------------------------------|-----------------|-------------------------------|
| | 1 Percent Decrease (2.8%) | Current (3.8%) | 1 Percent Decrease (4.8%) |
| | Primary Government | \$ 716,354 | \$ 657,519 |
| Component Unit - EDA | 6,564 | 6,025 | 5,529 |
| | PUC Plan | | |
| | 1 Percent Decrease (2.71%) | Current (3.71%) | 1 Percent Decrease (4.71%) |
| | Primary Government | \$ 110,860 | \$ 102,003 |

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

Note 9: Postemployment Benefits Other Than Pensions (Continued)

The following presents the total OPEB liability of the City and EDA as well as what the City's and EDA's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current discount rate:

| | City Plan | | |
|----------------------|--|--|--|
| | 1 Percent Decrease (5.5% Decreasing to 4%) | Healthcare Cost Trend Rates (6.5% Decreasing to 5%) | 1 Percent Increase (7.5% Decreasing to 6%) |
| Primary Government | \$ 580,531 | \$ 657,519 | \$ 749,744 |
| Component Unit - EDA | 5,320 | 6,025 | 6,870 |
| | PUC Plan | | |
| | 1 Percent Decrease (5.3% Decreasing to 3.4%) | Healthcare Cost Trend Rates (6.3% Decreasing to 4.4%) | 1 Percent Increase (7.3% Decreasing to 5.4%) |
| Primary Government | \$ 88,891 | \$ 102,003 | \$ 117,544 |

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

For the year ended December 31, 2019, the City recognized OPEB expense of -\$24,178. At December 31, 2019, the City and the EDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Primary Government | | Component Unit - EDA | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in Actuarial Assumptions | \$ - | \$ 23,330 | \$ - | \$ 214 |
| Net Difference between Projected and Actual Earnings on Plan Investments | - | 42,032 | - | 385 |
| Contributions to OPEB Subsequent to the Measurement Date | 32,537 | - | 286 | - |
| Total | \$ 32,537 | \$ 65,362 | \$ 286 | \$ 599 |

Deferred outflows of resources totaling \$32,537 from the City and \$286 from the EDA, related to the contributions to OPEB subsequent to the measurement date, will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

Note 10: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. City assets may have seen unrealized market losses as of June 17, 2020. However, the City of Hutchinson's management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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

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

| Fiscal Year Ending | City's Proportion of the Net Pension Liability * | City's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the Primary Government (b) | Total (a+b) | City's Covered Payroll (c) * | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|---|--|---|----------------|---------------------------------------|--|--|
| 06/30/19 | 0.1502 % | \$ 8,304,222 | \$ 257,988 | \$ 8,562,210 | 10,646,616 | 80.4 % | 80.2 % |
| 06/30/18 | 0.1508 | 8,365,767 | 274,506 | 8,640,273 | 10,145,867 | 85.2 | 79.5 |
| 06/30/17 | 0.1497 | 9,556,749 | 120,135 | 9,676,884 | 9,641,342 | 100.4 | 75.9 |
| 06/30/16 | 0.1547 | 12,560,874 | 164,029 | 12,724,903 | 9,593,197 | 132.6 | 68.9 |
| 06/30/15 | 0.1559 | 8,079,548 | - | 8,079,548 | 9,207,014 | 87.8 | 78.2 |

* Includes EDA activity

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

Schedule of Employer's PERA Contributions - General Employees Fund

| Year Ending | Statutorily Required Contribution (a) * | Contributions in Relation to the Statutorily Required Contribution (b) * | Contribution Deficiency (Excess) (a-b) | City's Covered Payroll (c) * | Contributions as a Percentage of Covered Payroll (b/c) |
|----------------|--|---|---|---------------------------------------|---|
| 12/31/19 | \$ 813,778 | \$ 813,778 | \$ - | \$ 10,850,378 | 7.5 % |
| 12/31/18 | 782,227 | 782,227 | - | 10,429,696 | 7.5 |
| 12/31/17 | 735,178 | 735,178 | - | 9,803,713 | 7.5 |
| 12/31/16 | 715,812 | 715,812 | - | 9,544,167 | 7.5 |
| 12/31/15 | 708,668 | 708,668 | - | 9,448,902 | 7.5 |

* Includes EDA activity

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

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

Notes to the Required Supplementary Information - General Employees Fund

Changes in actuarial assumptions

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

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

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

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

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

Changes in plan provisions

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

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

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

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

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

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

| Fiscal Year Ending | City's Proportion of the Net Pension Liability | City's Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the City (b) | Total (a+b) | City's Covered Payroll (c) | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|---|---|--|----------------|-------------------------------------|--|--|
| 06/30/19 | 0.1672 % | \$ 1,780,013 | \$ - | 1,780,013 | \$ 1,764,991 | 100.9 % | 89.3 % |
| 06/30/18 | 0.1631 | 1,738,478 | - | 1,738,478 | 1,719,323 | 101.1 | 88.8 |
| 06/30/17 | 0.1580 | 2,133,188 | - | 2,133,188 | 1,621,218 | 131.6 | 85.4 |
| 06/30/16 | 0.1590 | 6,380,947 | - | 6,380,947 | 1,531,607 | 416.6 | 63.9 |
| 06/30/15 | 0.1630 | 1,852,061 | - | 1,852,061 | 1,472,983 | 125.7 | 86.6 |

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

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

| Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | City's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|----------------|--|---|---|-------------------------------------|---|
| 12/31/19 | \$ 296,227 | \$ 296,227 | \$ - | \$ 1,747,653 | 16.9 % |
| 12/31/18 | 284,969 | 284,969 | - | 1,759,067 | 16.2 |
| 12/31/17 | 270,509 | 270,509 | - | 1,669,810 | 16.2 |
| 12/31/16 | 256,640 | 256,640 | - | 1,584,198 | 16.2 |
| 12/31/15 | 240,427 | 240,427 | - | 1,484,116 | 16.2 |

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

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

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in actuarial assumptions

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

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

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

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

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

Changes in plan provisions

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

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

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

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

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 39,252 | \$ 33,093 | \$ 32,207 | \$ 31,267 | \$ 37,483 |
| Interest | 152,579 | 159,108 | 158,458 | 144,254 | 141,826 |
| Changes of benefit terms | - | - | - | 165,505 | 61,339 |
| Differences between expected and actual experience | - | (53,618) | - | 23,647 | - |
| Changes of assumptions | (72,427) | 240,542 | - | 114,838 | (200,047) |
| Benefit payments | (178,718) | (180,382) | (182,707) | (176,770) | (156,240) |
| Net Change in Total Pension Liability | (59,314) | 198,743 | 7,958 | 302,741 | (115,639) |
| Total Pension Liability - January 1 | 2,703,661 | 2,504,918 | 2,496,960 | 2,194,219 | 2,309,858 |
| Total Pension Liability - December 31 (A) | \$ 2,644,347 | \$ 2,703,661 | \$ 2,504,918 | \$ 2,496,960 | \$ 2,194,219 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - State | \$ 111,162 | \$ 109,292 | \$ 108,253 | \$ 106,662 | \$ 106,989 |
| Contributions - employer | 83,074 | 75,000 | 75,000 | 75,000 | 96,664 |
| Projected investment return | 377,486 | (83,675) | 264,914 | 165,615 | (54,069) |
| Benefit payments, including refunds of employee contributions | (178,718) | (180,382) | (182,707) | (176,770) | (156,240) |
| Administrative expenses | (20,740) | (14,379) | (17,714) | (16,414) | (19,904) |
| Other | - | - | - | (1,534) | - |
| Net Change in Plan Fiduciary Net Position | 372,264 | (94,144) | 247,746 | 152,559 | (26,560) |
| Plan Fiduciary Net Position - January 1 | 2,228,001 | 2,322,145 | 2,074,399 | 1,921,840 | 1,948,400 |
| Plan Fiduciary Net Position - December 31 (B) | \$ 2,600,265 | \$ 2,228,001 | \$ 2,322,145 | \$ 2,074,399 | \$ 1,921,840 |
| Fire Relief's Net Pension Liability (Asset) - December 31 (A-B) | \$ 44,082 | \$ 475,660 | \$ 182,773 | \$ 422,561 | \$ 272,379 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A) | 98.33% | 82.41% | 92.70% | 83.08% | 87.59% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A |
| Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule:

Benefit Changes.

In 2019, the following benefit changes:

None.

In 2018, the following benefit changes:

None.

Changes of Assumptions.

In 2019, the following assumptions changes:

The expected investment return and discount rate increased from 5.75% to 6.00% to reflect updated capital market assumptions.

The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire

In 2018, the following assumptions changes:

The expected investment return and discount rate decreased from 6.50% to 5.75% to reflect updated capital market assumptions.

The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire

Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire plan actuarial valuation.

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

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

Schedule of Employer's Fire Relief Association Contributions

| Year Ending | Actuarial Determined Contribution (a) | Actual Contributions Paid (b) | Contribution Deficiency (Excess) (a-b) |
|----------------|--|--|---|
| 12/31/19 | \$ 194,236 | \$ 194,236 | \$ - |
| 12/31/18 | 184,292 | 188,037 | (3,745) |
| 12/31/17 | 144,183 | 183,253 | (39,070) |
| 12/31/16 | 144,183 | 181,662 | (37,479) |
| 12/31/15 | 165,022 | 203,653 | (38,631) |

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Total OPEB liability | | |
| Service cost | \$ 52,767 | \$ 56,111 |
| Interest | 27,430 | 25,975 |
| Differences between expected and actual experience | (48,475) | - |
| Changes in assumptions | (30,750) | 4,199 |
| Benefit payments | (26,943) | (23,931) |
| Net change in total OPEB liability | (25,971) | 62,354 |
| | | |
| Total OPEB liability - beginning | 791,518 | 729,164 |
| | | |
| Total OPEB liability - ending | <u>\$ 765,547</u> | <u>\$ 791,518</u> |
| | | |
| Covered - employee payroll | \$ 7,549,077 | \$ 11,238,479 |
| | | |
| City's total OPEB liability as a percentage of covered employee payroll | 10.14 % | 7.04 % |

Benefit changes:

In 2019, there were no benefit changes.

In 2018, there were no benefit changes.

Changes in assumptions:

In 2019, the following assumption changes:

The discount rate was changed from 3.30 to 3.80 for the City plan and 3.31 to 3.71 for the PUC plan.

In 2018, the following assumption changes:

The discount rate was changed from 3.50 to 3.30.

| |
|---|
| Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available. |
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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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

| | <u>Nonmajor Special Revenue</u> | <u>Nonmajor Capital Projects</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|---|--|--|
| Assets | | | |
| Cash and investments | \$ 2,679,454 | \$ 1,226,252 | \$ 3,905,706 |
| Receivables | | | |
| Interest | 6,517 | 2,779 | 9,296 |
| Accounts | 4,448 | - | 4,448 |
| Notes | 1,188,975 | - | 1,188,975 |
| Intergovernmental | 18,204 | 818,555 | 836,759 |
| Advances to other funds | 283,146 | 1,067,971 | 1,351,117 |
| Prepaid items | 260 | - | 260 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 4,181,004</u> | <u>\$ 3,115,557</u> | <u>\$ 7,296,561</u> |
| Liabilities | | | |
| Accounts payable | \$ 72,512 | \$ 53,255 | \$ 125,767 |
| Contracts payable | - | 26,741 | 26,741 |
| Advances from other funds | 764,052 | 147,220 | 911,272 |
| Due to other governments | - | 41,800 | 41,800 |
| Accrued salaries payable | 8,506 | - | 8,506 |
| Deposits payable | 1,032 | - | 1,032 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>846,102</u> | <u>269,016</u> | <u>1,115,118</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | |
| Intergovernmental | - | 818,492 | 818,492 |
| | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances | | | |
| Nonspendable | 260 | - | 260 |
| Restricted | 3,328,125 | - | 3,328,125 |
| Committed | 106,017 | - | 106,017 |
| Assigned | 644,870 | 2,182,881 | 2,827,751 |
| Unassigned | (744,370) | (154,832) | (899,202) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>3,334,902</u> | <u>2,028,049</u> | <u>5,362,951</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 4,181,004</u> | <u>\$ 3,115,557</u> | <u>\$ 7,296,561</u> |

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

| | Nonmajor Special Revenue | Nonmajor Capital Projects | Total Nonmajor Governmental Funds |
|--|--------------------------------|---------------------------------|--|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ - | \$ 10,083 | \$ 10,083 |
| Tax increment district taxes | 143,911 | - | 143,911 |
| Intergovernmental | | | |
| Airport aid | - | 343,975 | 343,975 |
| State | | | |
| Local government aid | - | 1,301,463 | 1,301,463 |
| Street maintenance and construction aid | 90,640 | - | 90,640 |
| Airport aid | - | 33,326 | 33,326 |
| Other | 2,253 | 53,098 | 55,351 |
| County | | | |
| County shared aids | 90,640 | - | 90,640 |
| Other | 2,000 | - | 2,000 |
| Charges for services | | | |
| Public safety | 125,000 | - | 125,000 |
| Streets and highways | 339,690 | - | 339,690 |
| Investment earnings | 96,817 | 47,609 | 144,426 |
| Miscellaneous | | | |
| Rents | 66,390 | 14,400 | 80,790 |
| Contributions and donations | 62,667 | 20,000 | 82,667 |
| Loan interest | 12,106 | - | 12,106 |
| Refunds and reimbursements | 40,097 | 129,919 | 170,016 |
| Other | 12,535 | 79,092 | 91,627 |
| Total Revenues | <u>1,084,746</u> | <u>2,032,965</u> | <u>3,117,711</u> |
| Expenditures | | | |
| Current | | | |
| Public safety | 120,972 | - | 120,972 |
| Streets and highways | 613,954 | - | 613,954 |
| Culture and recreation | 52,261 | - | 52,261 |
| Housing and economic development | 319,328 | - | 319,328 |
| Capital outlay | | | |
| General government | - | 37,563 | 37,563 |
| Public safety | - | 144,354 | 144,354 |
| Streets and highways | - | 306,802 | 306,802 |
| Culture and recreation | 41,672 | 1,049,305 | 1,090,977 |
| Miscellaneous | - | 464,836 | 464,836 |
| Debt service | | | |
| Principal | - | 30,000 | 30,000 |
| Interest and other | 23,328 | - | 23,328 |
| Total Expenditures | <u>1,171,515</u> | <u>2,032,860</u> | <u>3,204,375</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(86,769)</u> | <u>105</u> | <u>(86,664)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 163,970 | - | 163,970 |
| Transfers out | (2,000) | (5,000) | (7,000) |
| Total Other Financing Sources (Uses) | <u>161,970</u> | <u>(5,000)</u> | <u>156,970</u> |
| Net Change in Fund Balances | 75,201 | (4,895) | 70,306 |
| Fund Balances, January 1 | <u>3,259,701</u> | <u>2,032,944</u> | <u>5,292,645</u> |
| Fund Balances, December 31 | <u>\$ 3,334,902</u> | <u>\$ 2,028,049</u> | <u>\$ 5,362,951</u> |

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City's Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City's Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's refuse system.

Composting Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's composting system.

Storm Water Fund: This fund is used to account for the operation, maintenance, and capital improvement of the City's storm water system.

City of Hutchinson, Minnesota

Statement of Net Position
 Nonmajor Proprietary Funds
 December 31, 2019

Business-type Activities - Enterprise Funds

| | 603 | 651 | 652 | |
|--|------------------|------------------|------------------|-------------------|
| | Refuse | Composting | Storm Water | Total |
| Assets | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 1,644,760 | \$ 2,565,732 | \$ 1,478,051 | \$ 5,688,543 |
| Receivables | | | | |
| Interest | 4,176 | 5,697 | 2,166 | 12,039 |
| Accounts | 114,695 | 112,431 | 8,773 | 235,899 |
| Intergovernmental | 3,241 | 61,641 | - | 64,882 |
| Inventories | - | 1,181,045 | - | 1,181,045 |
| Prepaid items | - | 1,756 | 498 | 2,254 |
| Total Current Assets | 1,766,872 | 3,928,302 | 1,489,488 | 7,184,662 |
| Noncurrent Assets | | | | |
| Capital assets | | | | |
| Land | 10,913 | 400,608 | 387,063 | 798,584 |
| Buildings and structures | 2,355,400 | 57,121 | - | 2,412,521 |
| Infrastructure and improvements | 86,387 | 457,571 | 6,115,714 | 6,659,672 |
| Machinery and equipment | 1,342,051 | 2,736,425 | 105,679 | 4,184,155 |
| Automotive equipment | 45,938 | 446,449 | 353,394 | 845,781 |
| Less accumulated depreciation | (2,665,451) | (2,121,306) | (1,292,060) | (6,078,817) |
| Total Capital Assets (Net of Accumulated Depreciation) | 1,175,238 | 1,976,868 | 5,669,790 | 8,821,896 |
| Total Noncurrent Assets | 1,175,238 | 1,976,868 | 5,669,790 | 8,821,896 |
| Total Assets | 2,942,110 | 5,905,170 | 7,159,278 | 16,006,558 |
| Deferred Outflows of Resources | | | | |
| Deferred pension resources | 7,048 | 26,595 | 11,019 | 44,662 |
| Deferred other post employment benefit resources | 286 | 2,004 | 858 | 3,148 |
| Total Deferred Outflows of Resources | 7,334 | 28,599 | 11,877 | 47,810 |

City of Hutchinson, Minnesota
Statement of Net Position
Nonmajor Proprietary Funds (Continued)
December 31, 2019

| | Business-type Activities - Enterprise Funds | | | Total |
|--|---|---------------------|---------------------|----------------------|
| | 603 Refuse | 651 Composting | 652 Storm Water | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 58,309 | \$ 154,054 | \$ 2,954 | \$ 215,317 |
| Advances from other funds | - | - | 33,859 | 33,859 |
| Due to other governments | 9,796 | 219 | - | 10,015 |
| Accrued interest payable | - | 9,906 | 22,054 | 31,960 |
| Accrued salaries payable | 6,168 | 23,590 | 9,708 | 39,466 |
| Accrued vacation payable | 2,357 | 30,138 | 6,532 | 39,027 |
| Current portion of debt | - | 145,044 | 120,000 | 265,044 |
| Total Current Liabilities | <u>76,630</u> | <u>362,951</u> | <u>195,107</u> | <u>634,688</u> |
| Noncurrent Liabilities | | | | |
| Advances from other funds | - | - | 107,796 | 107,796 |
| Accrued vacation payable | - | 582 | - | 582 |
| Other post-employment benefit obligation | 6,025 | 42,238 | 18,096 | 66,359 |
| Net pension liability | 84,776 | 319,876 | 132,533 | 537,185 |
| Capital leases and notes payable | - | 568,643 | - | 568,643 |
| Bonds payable | - | - | 1,600,875 | 1,600,875 |
| Less current portion of debt | - | (145,044) | (120,000) | (265,044) |
| Total Noncurrent Liabilities | <u>90,801</u> | <u>786,295</u> | <u>1,739,300</u> | <u>2,616,396</u> |
| Total Liabilities | <u>167,431</u> | <u>1,149,246</u> | <u>1,934,407</u> | <u>3,251,084</u> |
| Deferred Inflows of Resources | | | | |
| Deferred pension resources | 15,822 | 59,701 | 24,736 | 100,259 |
| Deferred other post employment benefit resources | 599 | 4,199 | 1,799 | 6,597 |
| Total Deferred Inflows of Resources | <u>16,421</u> | <u>63,900</u> | <u>26,535</u> | <u>106,856</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,175,238 | 1,408,225 | 4,068,915 | 6,652,378 |
| Unrestricted | <u>1,590,354</u> | <u>3,312,398</u> | <u>1,141,298</u> | <u>6,044,050</u> |
| Total Net Position | <u>\$ 2,765,592</u> | <u>\$ 4,720,623</u> | <u>\$ 5,210,213</u> | <u>\$ 12,696,428</u> |

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

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------|---------------------|----------------------|
| | 603 Refuse | 651 Composting | 652 Storm Water | Total |
| Operating Revenues | | | | |
| Sales | \$ - | \$ 2,420,379 | \$ - | \$ 2,420,379 |
| Cost of sales | - | (1,567,337) | - | (1,567,337) |
| Gross Profit | - | 853,042 | - | 853,042 |
| Charges for services | 1,229,308 | - | 950,871 | 2,180,179 |
| Penalties | 7,804 | - | - | 7,804 |
| Other operating revenue | 197 | 744 | 309 | 1,250 |
| Total Operating Revenues | <u>1,237,309</u> | <u>853,786</u> | <u>951,180</u> | <u>3,042,275</u> |
| Operating Expenses | | | | |
| Personal services | 187,753 | 465,252 | 246,309 | 899,314 |
| Supplies and maintenance | 47,219 | (21,413) | 164,653 | 190,459 |
| Other services and charges | 792,771 | 265,937 | 54,974 | 1,113,682 |
| Depreciation and depletion | 132,576 | 70,584 | 177,785 | 380,945 |
| Total Operating Expenses | <u>1,160,319</u> | <u>780,360</u> | <u>643,721</u> | <u>2,584,400</u> |
| Operating Income (Loss) | <u>76,990</u> | <u>73,426</u> | <u>307,459</u> | <u>457,875</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Intergovernmental | 12,959 | 10,000 | - | 22,959 |
| Interest earnings | 56,400 | 89,676 | 39,692 | 185,768 |
| Other income | - | 2,742 | 6,318 | 9,060 |
| Gain (loss) on sale of capital assets | 16,500 | 65,358 | 15,608 | 97,466 |
| Interest expense - bonds | - | (13,910) | (57,152) | (71,062) |
| Bond premium amortization | - | - | 9,167 | 9,167 |
| Total Nonoperating Revenues (Expenses) | <u>85,859</u> | <u>153,866</u> | <u>13,633</u> | <u>253,358</u> |
| Income (Loss) Before Contributions and Transfers | 162,849 | 227,292 | 321,092 | 711,233 |
| Capital Contributions From Other Funds | - | - | 635,372 | 635,372 |
| Transfers Out | (55,000) | (110,000) | (635,117) | (800,117) |
| Change in Net Position | 107,849 | 117,292 | 321,347 | 546,488 |
| Net Position, January 1 | <u>2,657,743</u> | <u>4,603,331</u> | <u>4,888,866</u> | <u>12,149,940</u> |
| Net Position, December 31 | <u>\$ 2,765,592</u> | <u>\$ 4,720,623</u> | <u>\$ 5,210,213</u> | <u>\$ 12,696,428</u> |

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

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------|---------------------|---------------------|
| | 603 Refuse | 651 Composting | 652 Storm Water | Total |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 1,236,431 | \$ 2,527,718 | \$ 956,437 | \$ 4,720,586 |
| Other receipts | 12,959 | 2,742 | 6,318 | 22,019 |
| Payments to vendors and suppliers | (857,452) | (1,891,256) | (76,874) | (2,825,582) |
| Payments to or on behalf of employees | (185,173) | (419,468) | (234,955) | (839,596) |
| Net Cash Provided by Operating Activities | <u>206,765</u> | <u>219,736</u> | <u>650,926</u> | <u>1,077,427</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Transfers out | (55,000) | (110,000) | (635,117) | (800,117) |
| Grants received | - | 10,000 | - | 10,000 |
| Net Cash Used by Noncapital Financing Activities | <u>(55,000)</u> | <u>(100,000)</u> | <u>(635,117)</u> | <u>(790,117)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition of capital assets | (121,858) | (497,036) | (730,593) | (1,349,487) |
| Proceeds from sale of capital assets | 16,500 | 178,749 | 18,535 | 213,784 |
| Net proceeds from issuance of debt | - | 473,775 | - | 473,775 |
| Principal paid on long-term debt | - | (154,776) | (155,000) | (309,776) |
| Interest paid on long-term debt | - | (6,865) | (45,244) | (52,109) |
| Net Cash Used by Capital and Related Financing Activities | <u>(105,358)</u> | <u>(6,153)</u> | <u>(912,302)</u> | <u>(1,023,813)</u> |
| Cash Flows from Investing Activities | | | | |
| Interest received on investments | 57,470 | 91,328 | 39,830 | 188,628 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 103,877 | 204,911 | (856,663) | (547,875) |
| Cash and Cash Equivalents, January 1 | 1,540,883 | 2,360,821 | 2,334,714 | 6,236,418 |
| Cash and Cash Equivalents, December 31 | <u>\$ 1,644,760</u> | <u>\$ 2,565,732</u> | <u>\$ 1,478,051</u> | <u>\$ 5,688,543</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | | |
| Operating income | \$ 76,990 | \$ 73,426 | \$ 307,459 | \$ 457,875 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Other income related to operations | 12,959 | 2,742 | 6,318 | 22,019 |
| Depreciation and amortization (see note below) | 132,576 | 70,584 | 177,785 | 380,945 |
| (Increase) decrease in assets | | | | |
| Accounts receivable | (810) | 106,595 | 5,257 | 111,042 |
| Due from other governments | (68) | - | - | (68) |
| Inventories | - | (40,387) | - | (40,387) |
| Prepaid items | - | (1,756) | (498) | (2,254) |
| (Increase) decrease in deferred outflows of resources | | | | |
| Deferred pension resources | 8,418 | 21,257 | (3,257) | 26,418 |
| Deferred other postemployment benefit resources | (39) | (521) | (116) | (676) |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | (17,599) | (36,997) | 1,596 | (53,000) |
| Due to other governments | 137 | (255) | - | (118) |
| Due to other funds | - | - | 141,655 | 141,655 |
| Accrued salaries payable | 649 | 4,695 | 1,735 | 7,079 |
| Accrued vacation payable | 951 | 3,975 | (465) | 4,461 |
| Other postemployment benefit obligation | (349) | 3,964 | (1,041) | 2,574 |
| Pension liability | (2,240) | 21,970 | 17,853 | 37,583 |
| Increase (decrease) in deferred inflows of resources | | | | |
| Deferred pension resources | (5,409) | (13,755) | (5,154) | (24,318) |
| Deferred other postemployment benefit resources | 599 | 4,199 | 1,799 | 6,597 |
| Net Cash Provided by Operating Activities | <u>\$ 206,765</u> | <u>\$ 219,736</u> | <u>\$ 650,926</u> | <u>\$ 1,077,427</u> |

Note: Depreciation expense for the Composting fund includes \$156,038 allocated to costs of good sold.

Schedule of Noncash Investing, Capital and Financing Activities

| | | | | |
|--|------|------------|------------|------------|
| Capital contributions from other funds | \$ - | \$ - | \$ 635,372 | \$ 635,372 |
| Book value of disposed/traded capital assets | \$ - | \$ 156,038 | \$ 2,927 | \$ 158,965 |
| Amortization of bond (premium) discount | \$ - | \$ - | \$ (9,167) | \$ (9,167) |

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Rural Fire Department Fund: This fund accounts for funds from rural townships to support their equipment and expenditures of the fire department while training and responding to rural fires.

Hutchinson Area Transportation Services Facility Fund: This fund accounts for the expenditures and revenues of the transportation building. This building is jointly operated by the City of Hutchinson, McLeod County and the Minnesota Department of Transportation.

Economic Development Loan Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Energy Loan Fund: Revolving loan funds received from the City and State which are under Hutchinson Economic Development Authority (EDA) guidelines are approved by City Council for downtown commercial rehabilitation loans.

HRA Loan Fund: This fund accounts for the housing rehabilitation loans with the City and the Minnesota Housing Finance Agency (MnHFA).

Housing Rehabilitation Grant Fund: This fund accounts for the Hutchinson housing rehabilitation project grant from the State of Minnesota Department of Trade and Economic Development.

Tax Increment Fund: This fund includes TIF districts 7, 8, 13 and 14.

Minnesota Investment Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Tax Increment Fund 2016 Fund: This fund includes TIF district 16.

Tax Increment Fund #4-17 Enterprise Center Fund: This fund includes TIF district 17.

Tax Increment Fund #4-18 Highfield Housing Development Fund: This fund includes TIF district 18.

Tax Increment Fund #4-19 Highway 7 & 15 Soils Condition Fund: This fund includes TIF district 19.

Tax Increment Fund #4-20 Warrior Expansion Fund: This fund includes TIF district 20.

Public Sites Fund: This fund is used to account for payments made by developments in lieu of land contributions for parkland purchases and improvements.

Hutchinson Enterprise Center Fund: This fund accounts for the expenditures and revenues of the Hutchinson Enterprise Center building, a 20,000 square foot business incubator to help small business grow.

Tree Disease Mitigation Fund: This fund is used for the City's efforts in restoring its tree canopy due to tree disease infestation, including proactive plantings of new tree species, treatment or removal of infected trees, and future replacements

City of Hutchinson, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet (Continued on the Following Pages)
 December 31, 2019

| | 225 | 226 | 231 | 232 |
|---|-----------------------------|--|---------------------------------|--------------------------|
| | Rural Fire Department | Hutchinson Area Transportation Facility | Economic Development Loan | Energy Loan |
| Assets | | | | |
| Cash and investments | \$ 52,993 | \$ 370,855 | \$ 58,776 | \$ 565,275 |
| Receivables | | | | |
| Interest | 88 | 903 | 167 | 1,412 |
| Accounts | - | 2,508 | - | - |
| Notes | - | - | 148,420 | 356,181 |
| Intergovernmental | - | 18,204 | - | - |
| Advance to other funds | - | - | 283,146 | - |
| Prepaid items | - | - | - | - |
| Total Assets | <u>\$ 53,081</u> | <u>\$ 392,470</u> | <u>\$ 490,509</u> | <u>\$ 922,868</u> |
| Liabilities | | | | |
| Accounts payable | \$ 11,325 | \$ 27,856 | \$ 19 | \$ 184 |
| Advances from other funds | - | - | - | - |
| Accrued salaries payable | 7,287 | 1,219 | - | - |
| Deposits payable | - | - | - | - |
| Total Liabilities | <u>18,612</u> | <u>29,075</u> | <u>19</u> | <u>184</u> |
| Fund Balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 34,469 | - | 490,490 | 922,684 |
| Committed | - | - | - | - |
| Assigned | - | 363,395 | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | <u>34,469</u> | <u>363,395</u> | <u>490,490</u> | <u>922,684</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 53,081</u> | <u>\$ 392,470</u> | <u>\$ 490,509</u> | <u>\$ 922,868</u> |

| 240 | 241 | 250 | 233/234/235 | 258 | 259 |
|------------------|------------------------------------|-------------------|-------------------------|--------------------------|-----------------------------------|
| HRA Loan | Housing Rehabilitation Grant | Tax Increment | Minnesota Investment | Tax Increment 2016 | TIF #4-17 Enterprise Center |
| \$ 80,808 | \$ 260,314 | \$ 435,434 | \$ 2,409 | \$ - | \$ - |
| 200 | 646 | 1,055 | 7 | - | - |
| - | - | - | - | - | - |
| - | 513,612 | 154,808 | 15,954 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 81,008</u> | <u>\$ 774,572</u> | <u>\$ 591,297</u> | <u>\$ 18,370</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 26 | \$ 85 | \$ 142 | \$ 1 | \$ - | \$ - |
| - | - | - | - | 322,661 | 136,285 |
| - | - | - | - | - | - |
| - | - | 1,032 | - | - | - |
| <u>26</u> | <u>85</u> | <u>1,174</u> | <u>1</u> | <u>322,661</u> | <u>136,285</u> |
| - | - | - | - | - | - |
| 80,982 | 501,198 | 590,123 | 18,369 | - | - |
| - | - | - | - | - | - |
| - | 273,289 | - | - | - | - |
| - | - | - | - | (322,661) | (136,285) |
| <u>80,982</u> | <u>774,487</u> | <u>590,123</u> | <u>18,369</u> | <u>(322,661)</u> | <u>(136,285)</u> |
| <u>\$ 81,008</u> | <u>\$ 774,572</u> | <u>\$ 591,297</u> | <u>\$ 18,370</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Hutchinson, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet (Continued)
 December 31, 2019

| | 260 | 261 | 262 | 270 |
|---|---|--|-----------------------------------|--------------------------|
| | TIF #4-18 Highfield Housing Development | TIF #4-19 Highway 7 & 15 Soils Condition | TIF #4-20 Warrior Expansion | Public Sites |
| Assets | | | | |
| Cash and investments | \$ 23,650 | \$ - | \$ - | \$ 329,405 |
| Receivables | | | | |
| Interest | 6 | - | - | 787 |
| Accounts | - | - | - | - |
| Notes | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Prepaid items | - | - | - | - |
| Total Assets | <u>\$ 23,656</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 330,192</u> |
| Liabilities | | | | |
| Accounts payable | \$ 21,081 | \$ - | \$ - | \$ 6,069 |
| Advances from other funds | - | 12,915 | 9,045 | - |
| Accrued salaries payable | - | - | - | - |
| Deposits payable | - | - | - | - |
| Total Liabilities | <u>21,081</u> | <u>12,915</u> | <u>9,045</u> | <u>6,069</u> |
| Fund Balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 2,575 | - | - | 209,920 |
| Committed | - | - | - | 106,017 |
| Assigned | - | - | - | 8,186 |
| Unassigned | - | (12,915) | (9,045) | - |
| Total Fund Balances | <u>2,575</u> | <u>(12,915)</u> | <u>(9,045)</u> | <u>324,123</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 23,656</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 330,192</u> |

| 239 | 275 | |
|------------------------------------|----------------------------|---------------------|
| Hutchinson Enterprise Center | Tree Disease Mitigation | Totals |
| \$ 23,242 | \$ 476,293 | \$ 2,679,454 |
| 69 | 1,177 | 6,517 |
| 1,940 | - | 4,448 |
| - | - | 1,188,975 |
| - | - | 18,204 |
| - | - | 283,146 |
| 260 | - | 260 |
| <u>\$ 25,511</u> | <u>\$ 477,470</u> | <u>\$ 4,181,004</u> |
| \$ 5,569 | \$ 155 | \$ 72,512 |
| 283,146 | - | 764,052 |
| - | - | 8,506 |
| - | - | 1,032 |
| <u>288,715</u> | <u>155</u> | <u>846,102</u> |
| 260 | - | 260 |
| - | 477,315 | 3,328,125 |
| - | - | 106,017 |
| - | - | 644,870 |
| (263,464) | - | (744,370) |
| <u>(263,204)</u> | <u>477,315</u> | <u>3,334,902</u> |
| <u>\$ 25,511</u> | <u>\$ 477,470</u> | <u>\$ 4,181,004</u> |

City of Hutchinson, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 (Continued on the Following Pages)
 For the Year Ended December 31, 2019

| | 225 | 226 | 231 | 232 |
|--|-----------------------------|--|---------------------------------|-------------------|
| | Rural Fire Department | Hutchinson Area Transportation Facility | Economic Development Loan | Energy Loan |
| Revenues | | | | |
| Taxes | | | | |
| Tax increment district taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | | | | |
| State | | | | |
| Street maintenance aid | - | 90,640 | - | - |
| Other | - | - | - | - |
| County | | | | |
| County shared aids | - | 90,640 | - | - |
| Other | - | - | - | - |
| Charges for services | | | | |
| Public safety | 125,000 | - | - | - |
| Streets and highways | - | 339,690 | - | - |
| Investment earnings | 1,280 | 11,922 | 9,097 | 18,842 |
| Miscellaneous | | | | |
| Rents | - | - | - | - |
| Contributions and donations | - | - | - | - |
| Loan interest | - | - | 1,537 | 10,569 |
| Refunds and reimbursements | - | 28,113 | - | 200 |
| Other | - | - | - | - |
| Total Revenues | <u>126,280</u> | <u>561,005</u> | <u>10,634</u> | <u>29,611</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 120,972 | - | - | - |
| Streets and highways | - | 613,954 | - | - |
| Culture and recreation | - | - | - | - |
| Housing and economic development | - | - | - | 30,485 |
| Capital outlay | | | | |
| Culture and recreation | - | - | - | - |
| Debt service | | | | |
| Interest and other | - | - | - | - |
| Total Expenditures | <u>120,972</u> | <u>613,954</u> | <u>-</u> | <u>30,485</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>5,308</u> | <u>(52,949)</u> | <u>10,634</u> | <u>(874)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 101,970 | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>101,970</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 5,308 | 49,021 | 10,634 | (874) |
| Fund Balances, January 1 | <u>29,161</u> | <u>314,374</u> | <u>479,856</u> | <u>923,558</u> |
| Fund Balances, December 31 | <u>\$ 34,469</u> | <u>\$ 363,395</u> | <u>\$ 490,490</u> | <u>\$ 922,684</u> |

| 240 | 241 | 250 | 233/234/235 | 258 | 259 |
|------------------|------------------------------------|-------------------|-------------------------|--------------------------|-----------------------------------|
| HRA Loan | Housing Rehabilitation Grant | Tax Increment | Minnesota Investment | Tax Increment 2016 | TIF #4-17 Enterprise Center |
| \$ - | \$ - | \$ 81,178 | \$ - | \$ - | \$ 13,677 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,772 | 8,322 | 16,649 | 89 | - | 97 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>2,772</u> | <u>8,322</u> | <u>97,827</u> | <u>89</u> | <u>-</u> | <u>13,774</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 140,490 | 67,527 | - | - | 1,093 |
| - | - | - | - | - | - |
| - | - | - | - | 11,202 | 5,500 |
| - | <u>140,490</u> | <u>67,527</u> | <u>-</u> | <u>11,202</u> | <u>6,593</u> |
| <u>2,772</u> | <u>(132,168)</u> | <u>30,300</u> | <u>89</u> | <u>(11,202)</u> | <u>7,181</u> |
| - | - | - | - | - | - |
| - | - | - | (2,000) | - | - |
| - | - | - | (2,000) | - | - |
| 2,772 | (132,168) | 30,300 | (1,911) | (11,202) | 7,181 |
| <u>78,210</u> | <u>906,655</u> | <u>559,823</u> | <u>20,280</u> | <u>(311,459)</u> | <u>(143,466)</u> |
| <u>\$ 80,982</u> | <u>\$ 774,487</u> | <u>\$ 590,123</u> | <u>\$ 18,369</u> | <u>\$ (322,661)</u> | <u>\$ (136,285)</u> |

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

| | 260 | 261 | 262 | 270 |
|--|---|--|-----------------------------------|-------------------|
| | TIF #4-18 Highfield Housing Development | TIF #4-19 Highway 7 & 15 Soils Condition | TIF #4-20 Warrior Expansion | Public Sites |
| Revenues | | | | |
| Taxes | | | | |
| Tax increment district taxes | \$ 46,829 | \$ 2,227 | \$ - | \$ - |
| Intergovernmental | | | | |
| State | | | | |
| Street maintenance aid | - | - | - | - |
| Other | - | - | - | 2,253 |
| County | | | | |
| County shared aids | - | - | - | - |
| Other | - | - | - | 2,000 |
| Charges for services | | | | |
| Public safety | - | - | - | - |
| Streets and highways | - | - | - | - |
| Investment earnings | 273 | 26 | - | 10,325 |
| Miscellaneous | | | | |
| Rents | - | - | - | 4,950 |
| Contributions and donations | - | - | - | 62,667 |
| Loan interest | - | - | - | - |
| Refunds and reimbursements | - | - | - | 11,784 |
| Other | - | - | - | 12,535 |
| Total Revenues | <u>47,102</u> | <u>2,253</u> | <u>-</u> | <u>106,514</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | - | - | - |
| Streets and highways | - | - | - | - |
| Culture and recreation | - | - | - | 12,405 |
| Housing and economic development | 39,515 | 100 | 100 | - |
| Capital outlay | | | | |
| Culture and recreation | - | - | - | 41,672 |
| Debt service | | | | |
| Interest and other | 55 | 289 | 342 | - |
| Total Expenditures | <u>39,570</u> | <u>389</u> | <u>442</u> | <u>54,077</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>7,532</u> | <u>1,864</u> | <u>(442)</u> | <u>52,437</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | 5,000 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,000</u> |
| Net Change in Fund Balances | 7,532 | 1,864 | (442) | 57,437 |
| Fund Balances, January 1 | <u>(4,957)</u> | <u>(14,779)</u> | <u>(8,603)</u> | <u>266,686</u> |
| Fund Balances, December 31 | <u>\$ 2,575</u> | <u>\$ (12,915)</u> | <u>\$ (9,045)</u> | <u>\$ 324,123</u> |

| 239 | 275 | |
|------------------------------------|----------------------------|---------------------|
| Hutchinson Enterprise Center | Tree Disease Mitigation | Total |
| \$ - | \$ - | \$ 143,911 |
| - | - | 90,640 |
| - | - | 2,253 |
| - | - | 90,640 |
| - | - | 2,000 |
| - | - | 125,000 |
| - | - | 339,690 |
| 1,129 | 15,994 | 96,817 |
| 61,440 | - | 66,390 |
| - | - | 62,667 |
| - | - | 12,106 |
| - | - | 40,097 |
| - | - | 12,535 |
| <u>62,569</u> | <u>15,994</u> | <u>1,084,746</u> |
| - | - | 120,972 |
| - | - | 613,954 |
| - | 39,856 | 52,261 |
| 40,018 | - | 319,328 |
| - | - | 41,672 |
| 5,940 | - | 23,328 |
| <u>45,958</u> | <u>39,856</u> | <u>1,171,515</u> |
| <u>16,611</u> | <u>(23,862)</u> | <u>(86,769)</u> |
| 2,000 | 55,000 | 163,970 |
| - | - | (2,000) |
| <u>2,000</u> | <u>55,000</u> | <u>161,970</u> |
| 18,611 | 31,138 | 75,201 |
| <u>(281,815)</u> | <u>446,177</u> | <u>3,259,701</u> |
| <u>\$ (263,204)</u> | <u>\$ 477,315</u> | <u>\$ 3,334,902</u> |

City of Hutchinson, Minnesota
 Rural Fire Department Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

| | 2019 | | | 2018 |
|-----------------------------|------------------|-------------------|-------------------------------|-------------------|
| | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Revenues | | | | |
| Charges for services | | | | |
| Public safety | \$ 125,000 | \$ 125,000 | \$ - | \$ 125,000 |
| Investment earnings | 250 | 1,280 | 1,030 | 519 |
| Miscellaneous | | | | |
| Refunds and reimbursements | - | - | - | 472 |
| Total Revenues | <u>125,250</u> | <u>126,280</u> | <u>1,030</u> | <u>125,991</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | | | | |
| Rural fire department | | | | |
| Personal services | 84,636 | 80,467 | 4,169 | 82,187 |
| Supplies | 22,438 | 21,670 | 768 | 26,842 |
| Other services and charges | 18,038 | 18,835 | (797) | 16,541 |
| Total Expenditures | <u>125,112</u> | <u>120,972</u> | <u>4,140</u> | <u>125,570</u> |
| Net Change in Fund Balances | 138 | 5,308 | 5,170 | 421 |
| Fund Balances, January 1 | <u>29,161</u> | <u>29,161</u> | <u>-</u> | <u>28,740</u> |
| Fund Balances, December 31 | <u>\$ 29,299</u> | <u>\$ 34,469</u> | <u>\$ 5,170</u> | <u>\$ 29,161</u> |

City of Hutchinson, Minnesota
Hutchinson Area Transportation Facility Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

| | 2019 | | 2018 | |
|--|-------------------|-------------------|-------------------------------|-------------------|
| | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Revenues | | | | |
| Intergovernmental | | | | |
| State | | | | |
| Street maintenance aid | \$ 90,640 | \$ 90,640 | \$ - | \$ 88,000 |
| County | | | | |
| County shared aids | 90,640 | 90,640 | - | 88,000 |
| Charges for services | | | | |
| Streets and highways | 280,000 | 339,690 | 59,690 | 313,132 |
| Investment earnings | 3,500 | 11,922 | 8,422 | 3,313 |
| Miscellaneous | | | | |
| Refunds and reimbursements | 2,500 | 28,113 | 25,613 | 861 |
| Total Revenues | <u>467,280</u> | <u>561,005</u> | <u>93,725</u> | <u>493,306</u> |
| Expenditures | | | | |
| Current | | | | |
| Streets and highways | | | | |
| Streets and alleys | | | | |
| Personal services | 42,644 | 36,385 | 6,259 | 31,462 |
| Supplies | 297,050 | 431,266 | (134,216) | 325,790 |
| Other services and charges | 166,800 | 146,303 | 20,497 | 189,054 |
| Capital outlay | | | | |
| Streets and highways | | | | |
| Streets and alleys | 62,756 | - | 62,756 | - |
| Total Expenditures | <u>569,250</u> | <u>613,954</u> | <u>(44,704)</u> | <u>546,306</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (101,970) | (52,949) | 49,021 | (53,000) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 101,970 | 101,970 | - | 100,000 |
| Net Change in Fund Balances | - | 49,021 | 49,021 | 47,000 |
| Fund Balances, January 1 | 314,374 | 314,374 | - | 267,374 |
| Fund Balances, December 31 | <u>\$ 314,374</u> | <u>\$ 363,395</u> | <u>\$ 49,021</u> | <u>\$ 314,374</u> |

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

City of Hutchinson, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

| | 408 | 401 | 402 | 496 | |
|---|-----------------------|------------------------------------|---------------------|------------------------------------|---------------------|
| | Airport Renovation | Capital Improvement Projects | MSA Construction | Police Facility Construction | Total |
| Assets | | | | | |
| Cash and investments | \$ - | \$ 1,226,252 | \$ - | \$ - | \$ 1,226,252 |
| Receivables | | | | | |
| Interest | 4 | 2,775 | - | - | 2,779 |
| Intergovernmental | - | 63 | 818,492 | - | 818,555 |
| Advances to other funds | - | 1,067,971 | - | - | 1,067,971 |
| | <u>-</u> | <u>1,067,971</u> | <u>-</u> | <u>-</u> | <u>1,067,971</u> |
| Total Assets | <u>\$ 4</u> | <u>\$ 2,297,061</u> | <u>\$ 818,492</u> | <u>\$ -</u> | <u>\$ 3,115,557</u> |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ 45,639 | \$ - | \$ 7,616 | \$ 53,255 |
| Contracts payable | - | 26,741 | - | - | 26,741 |
| Advances from other funds | 105,720 | - | - | 41,500 | 147,220 |
| Due to other governments | - | 41,800 | - | - | 41,800 |
| Total Liabilities | <u>105,720</u> | <u>114,180</u> | <u>-</u> | <u>49,116</u> | <u>269,016</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue | | | | | |
| Intergovernmental | - | - | 818,492 | - | 818,492 |
| | <u>-</u> | <u>-</u> | <u>818,492</u> | <u>-</u> | <u>818,492</u> |
| Fund Balances | | | | | |
| Assigned | - | 2,182,881 | - | - | 2,182,881 |
| Unassigned | (105,716) | - | - | (49,116) | (154,832) |
| Total Fund Balances | <u>(105,716)</u> | <u>2,182,881</u> | <u>-</u> | <u>(49,116)</u> | <u>2,028,049</u> |
| | <u>\$ 4</u> | <u>\$ 2,297,061</u> | <u>\$ 818,492</u> | <u>\$ -</u> | <u>\$ 3,115,557</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |

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

| | 408 | 401 | 402 | 496 | |
|--|-----------------------|------------------------------------|---------------------|------------------------------------|---------------------|
| | Airport Renovation | Capital Improvement Projects | MSA Construction | Police Facility Construction | Total |
| Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | \$ - | \$ 10,083 | \$ - | \$ - | \$ 10,083 |
| Intergovernmental | | | | | |
| Airport aid | 343,975 | - | - | - | 343,975 |
| State | | | | | |
| Local government aid | - | 1,301,463 | - | - | 1,301,463 |
| Airport aid | 33,326 | - | - | - | 33,326 |
| Other | - | 53,098 | - | - | 53,098 |
| Investment earnings | 125 | 47,484 | - | - | 47,609 |
| Miscellaneous | | | | | |
| Contributions and donations | - | 20,000 | - | - | 20,000 |
| Refunds and reimbursements | - | 129,919 | - | - | 129,919 |
| Rents | 14,400 | - | - | - | 14,400 |
| Other | - | 79,092 | - | - | 79,092 |
| Total Revenues | <u>391,826</u> | <u>1,641,139</u> | <u>-</u> | <u>-</u> | <u>2,032,965</u> |
| Expenditures | | | | | |
| Capital outlay | | | | | |
| General government | - | 37,563 | - | - | 37,563 |
| Public safety | - | 95,238 | - | 49,116 | 144,354 |
| Streets and highways | - | 306,802 | - | - | 306,802 |
| Culture and recreation | - | 1,049,305 | - | - | 1,049,305 |
| Miscellaneous | 464,836 | - | - | - | 464,836 |
| Debt service | | | | | |
| Principal | - | 30,000 | - | - | 30,000 |
| Total Expenditures | <u>464,836</u> | <u>1,518,908</u> | <u>-</u> | <u>49,116</u> | <u>2,032,860</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (73,010) | 122,231 | - | (49,116) | 105 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | (5,000) | - | - | (5,000) |
| Net Change in Fund Balances | (73,010) | 117,231 | - | (49,116) | (4,895) |
| Fund Balances, January 1 | <u>(32,706)</u> | <u>2,065,650</u> | <u>-</u> | <u>-</u> | <u>2,032,944</u> |
| Fund Balances, December 31 | <u>\$ (105,716)</u> | <u>\$ 2,182,881</u> | <u>\$ -</u> | <u>\$ (49,116)</u> | <u>\$ 2,028,049</u> |

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GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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City of Hutchinson, Minnesota
 General Fund
 Comparative Balance Sheets
 December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and investments | \$ 7,934,460 | \$ 7,558,542 |
| Receivables | | |
| Interest | 16,474 | 22,040 |
| Delinquent taxes | 63,000 | 55,239 |
| Accounts | 230,687 | 217,287 |
| Intergovernmental | 63,036 | 68,877 |
| Due from other funds | - | 3,166 |
| Prepaid items | 5,762 | 2,110 |
| Total Assets | \$ 8,313,419 | \$ 7,927,261 |
| Liabilities | | |
| Accounts payable | \$ 215,934 | \$ 261,687 |
| Due to other governments | 29,623 | 21,839 |
| Accrued salaries payable | 342,842 | 303,859 |
| Deposits payable | 4,370 | - |
| Unearned revenue | 32,987 | 35,902 |
| Total Liabilities | 625,756 | 623,287 |
| Deferred Inflows of Resources | | |
| Unavailable revenue | | |
| Taxes | 63,000 | 55,239 |
| Fund Balances | | |
| Nonspendable | 5,762 | 2,110 |
| Restricted | 226,754 | 59,514 |
| Committed | 5,381,040 | 5,249,917 |
| Assigned | - | 113,413 |
| Unassigned | 2,011,107 | 1,823,781 |
| Total Fund Balances | 7,624,663 | 7,248,735 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 8,313,419 | \$ 7,927,261 |

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

| | 2019 | | | | 2018 |
|-----------------------------------|--------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 5,122,005 | \$ 5,122,005 | \$ 5,114,081 | \$ (7,924) | \$ 4,967,539 |
| Hotel/motel tax | 120,000 | 120,000 | 110,155 | (9,845) | 103,941 |
| Franchise fees | 195,000 | 195,000 | 189,233 | (5,767) | 194,967 |
| Total taxes | <u>5,437,005</u> | <u>5,437,005</u> | <u>5,413,469</u> | <u>(23,536)</u> | <u>5,266,447</u> |
| Licenses and permits | | | | | |
| Business | 35,250 | 35,250 | 35,322 | 72 | 35,126 |
| Nonbusiness | 378,950 | 378,950 | 493,680 | 114,730 | 526,529 |
| Total licenses and permits | <u>414,200</u> | <u>414,200</u> | <u>529,002</u> | <u>114,802</u> | <u>561,655</u> |
| Intergovernmental | | | | | |
| Federal | | | | | |
| Other Federal aids | - | - | 390 | 390 | - |
| State | | | | | |
| Local government aid | 1,100,252 | 1,100,252 | 1,100,252 | - | 1,100,252 |
| Property tax credits | - | - | 416 | 416 | 438 |
| Police aid | 190,000 | 190,000 | 207,616 | 17,616 | 194,302 |
| Fire aid | 109,292 | 109,292 | 111,163 | 1,871 | 109,292 |
| Street maintenance aid | 27,500 | 27,500 | 29,280 | 1,780 | 29,280 |
| Airport aid | 26,200 | 26,200 | 26,727 | 527 | 17,726 |
| Other State aids | 124,812 | 124,812 | 104,725 | (20,087) | 143,818 |
| Total state | <u>1,578,056</u> | <u>1,578,056</u> | <u>1,580,179</u> | <u>2,123</u> | <u>1,595,108</u> |
| Local | | | | | |
| School liaison program | 54,747 | 54,747 | 45,680 | (9,067) | 52,066 |
| Community education reimbursement | 77,306 | 77,306 | 77,717 | 411 | 76,303 |
| Total local | <u>132,053</u> | <u>132,053</u> | <u>123,397</u> | <u>(8,656)</u> | <u>128,369</u> |
| Total intergovernmental | <u>1,710,109</u> | <u>1,710,109</u> | <u>1,703,966</u> | <u>(6,143)</u> | <u>1,723,477</u> |
| Charges for services | | | | | |
| General government | 345,275 | 345,275 | 357,429 | 12,154 | 340,075 |
| Public safety | 395,278 | 395,278 | 391,260 | (4,018) | 385,805 |
| Streets and highways | 490,704 | 490,704 | 505,058 | 14,354 | 514,852 |
| Culture and recreation | 1,117,945 | 1,117,945 | 1,024,691 | (93,254) | 1,116,682 |
| Other charges | 164,000 | 164,000 | 173,261 | 9,261 | 151,453 |
| Total charges for services | <u>2,513,202</u> | <u>2,513,202</u> | <u>2,451,699</u> | <u>(61,503)</u> | <u>2,508,867</u> |
| Fines and forfeits | 50,000 | 50,000 | 67,225 | 17,225 | 55,989 |
| Investment earnings | 80,000 | 80,000 | 234,097 | 154,097 | 50,564 |
| Miscellaneous | | | | | |
| Contributions and donations | 34,500 | 34,500 | 51,559 | 17,059 | 80,581 |
| Refunds and reimbursements | 201,500 | 201,500 | 178,347 | (23,153) | 471,984 |
| Other | 187,102 | 187,102 | 178,807 | (8,295) | 181,913 |
| Total miscellaneous | <u>423,102</u> | <u>423,102</u> | <u>408,713</u> | <u>(14,389)</u> | <u>734,478</u> |
| Total Revenues | <u>10,627,618</u> | <u>10,627,618</u> | <u>10,808,171</u> | <u>180,553</u> | <u>10,901,477</u> |

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

| | 2019 | | | | 2018 |
|----------------------------|--------------------|-----------------|-------------------|-------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Mayor and council | | | | | |
| Personal services | \$ 42,328 | \$ 42,328 | \$ 38,864 | \$ 3,464 | \$ 39,916 |
| Supplies | 250 | 250 | 19 | 231 | - |
| Other services and charges | 12,750 | 12,750 | 6,003 | 6,747 | 5,590 |
| Total mayor and council | <u>55,328</u> | <u>55,328</u> | <u>44,886</u> | <u>10,442</u> | <u>45,506</u> |
| City administrator | | | | | |
| Personal services | 388,943 | 388,943 | 391,346 | (2,403) | 389,937 |
| Supplies | 1,450 | 1,450 | 152 | 1,298 | 607 |
| Other services and charges | 25,250 | 25,250 | 29,204 | (3,954) | 16,380 |
| Total city administrator | <u>415,643</u> | <u>415,643</u> | <u>420,702</u> | <u>(5,059)</u> | <u>406,924</u> |
| Elections | | | | | |
| Personal services | 4,400 | 4,400 | 8,153 | (3,753) | 10,710 |
| Supplies | 500 | 500 | 14,109 | (13,609) | 4,991 |
| Other services and charges | 1,100 | 1,100 | 113 | 987 | 113 |
| Total elections | <u>6,000</u> | <u>6,000</u> | <u>22,375</u> | <u>(16,375)</u> | <u>15,814</u> |
| Finance | | | | | |
| Personal services | 283,781 | 283,781 | 281,701 | 2,080 | 272,515 |
| Supplies | 12,500 | 12,500 | 10,307 | 2,193 | 13,665 |
| Other services and charges | 74,760 | 74,760 | 72,563 | 2,197 | 71,260 |
| Total finance | <u>371,041</u> | <u>371,041</u> | <u>364,571</u> | <u>6,470</u> | <u>357,440</u> |
| Motor vehicles | | | | | |
| Personal services | 250,083 | 250,083 | 258,180 | (8,097) | 243,144 |
| Supplies | 11,578 | 11,578 | 1,995 | 9,583 | 4,802 |
| Other services and charges | 7,060 | 7,060 | 8,648 | (1,588) | 6,211 |
| Total motor vehicles | <u>268,721</u> | <u>268,721</u> | <u>268,823</u> | <u>(102)</u> | <u>254,157</u> |
| Assessing | | | | | |
| Other services and charges | 61,152 | 61,152 | 61,152 | - | 61,131 |
| Legal | | | | | |
| Personal services | 222,167 | 222,167 | 220,471 | 1,696 | 219,228 |
| Supplies | 22,900 | 22,900 | 28,599 | (5,699) | 30,233 |
| Other services and charges | 61,780 | 61,780 | 56,735 | 5,045 | 65,396 |
| Total legal | <u>306,847</u> | <u>306,847</u> | <u>305,805</u> | <u>1,042</u> | <u>314,857</u> |
| Planning | | | | | |
| Personal services | 143,935 | 143,935 | 144,363 | (428) | 137,440 |
| Supplies | 900 | 900 | 297 | 603 | - |
| Other services and charges | 11,000 | 11,000 | 8,036 | 2,964 | 8,095 |
| Total planning | <u>155,835</u> | <u>155,835</u> | <u>152,696</u> | <u>3,139</u> | <u>145,535</u> |
| Information services | | | | | |
| Personal services | 320,972 | 320,972 | 314,405 | 6,567 | 305,915 |
| Supplies | 44,565 | 44,565 | 35,598 | 8,967 | 30,763 |
| Other services and charges | 203,335 | 203,335 | 178,429 | 24,906 | 146,486 |
| Total information services | <u>568,872</u> | <u>568,872</u> | <u>528,432</u> | <u>40,440</u> | <u>483,164</u> |

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

| | 2019 | | | | 2018 |
|--------------------------------|--------------------|------------------|-------------------|-------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| General government (continued) | | | | | |
| City hall building | | | | | |
| Personal services | \$ 85,765 | \$ 85,765 | \$ 87,140 | \$ (1,375) | \$ 82,388 |
| Supplies | 15,675 | 15,675 | 9,298 | 6,377 | 12,744 |
| Other services and charges | 73,265 | 73,265 | 63,359 | 9,906 | 74,642 |
| Total city hall building | <u>174,705</u> | <u>174,705</u> | <u>159,797</u> | <u>14,908</u> | <u>169,774</u> |
| Total general government | <u>2,384,144</u> | <u>2,384,144</u> | <u>2,329,239</u> | <u>54,905</u> | <u>2,254,302</u> |
| Public safety | | | | | |
| Police | | | | | |
| Personal services | 3,152,004 | 3,152,004 | 3,165,560 | (13,556) | 3,169,126 |
| Supplies | 102,000 | 102,000 | 86,909 | 15,091 | 91,049 |
| Other services and charges | 206,950 | 206,950 | 190,814 | 16,136 | 192,723 |
| Total police | <u>3,460,954</u> | <u>3,460,954</u> | <u>3,443,283</u> | <u>17,671</u> | <u>3,452,898</u> |
| Emergency management | | | | | |
| Supplies | - | - | 569 | (569) | 117 |
| Other services and charges | 12,280 | 12,280 | 17,153 | (4,873) | 9,996 |
| Total emergency management | <u>12,280</u> | <u>12,280</u> | <u>17,722</u> | <u>(5,442)</u> | <u>10,113</u> |
| Safety council | | | | | |
| Supplies | - | - | 1,147 | (1,147) | - |
| Other services and charges | 10,850 | 10,850 | 9,577 | 1,273 | 10,293 |
| Total safety council | <u>10,850</u> | <u>10,850</u> | <u>10,724</u> | <u>126</u> | <u>10,293</u> |
| Fire | | | | | |
| Personal services | 395,074 | 395,074 | 419,197 | (24,123) | 377,701 |
| Supplies | 52,550 | 52,550 | 45,103 | 7,447 | 46,171 |
| Other services and charges | 84,270 | 84,270 | 72,614 | 11,656 | 58,777 |
| Total fire | <u>531,894</u> | <u>531,894</u> | <u>536,914</u> | <u>(5,020)</u> | <u>482,649</u> |
| Building inspection | | | | | |
| Personal services | 308,616 | 308,616 | 305,796 | 2,820 | 266,452 |
| Supplies | 7,950 | 7,950 | 6,130 | 1,820 | 5,613 |
| Other services and charges | 25,290 | 25,290 | 14,207 | 11,083 | 62,263 |
| Total building inspection | <u>341,856</u> | <u>341,856</u> | <u>326,133</u> | <u>15,723</u> | <u>334,328</u> |
| Hospital security | | | | | |
| Personal services | 319,205 | 319,205 | 300,956 | 18,249 | 307,096 |
| Supplies | 2,500 | 2,500 | 343 | 2,157 | 697 |
| Other services and charges | 1,500 | 1,500 | 1,452 | 48 | - |
| Total hospital security | <u>323,205</u> | <u>323,205</u> | <u>302,751</u> | <u>20,454</u> | <u>307,793</u> |
| Total public safety | <u>4,681,039</u> | <u>4,681,039</u> | <u>4,637,527</u> | <u>43,512</u> | <u>4,598,074</u> |
| Streets and highways | | | | | |
| Engineering | | | | | |
| Personal services | 386,524 | 386,524 | 385,914 | 610 | 375,254 |
| Supplies | 12,300 | 12,300 | 6,741 | 5,559 | 4,987 |
| Other services and charges | 71,880 | 71,880 | 82,402 | (10,522) | 43,384 |
| Total engineering | <u>470,704</u> | <u>470,704</u> | <u>475,057</u> | <u>(4,353)</u> | <u>423,625</u> |

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

| | 2019 | | | | 2018 |
|--|--------------------|------------------|-------------------|-------------------------------|-------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Streets and highways (continued) | | | | | |
| Streets and alleys | | | | | |
| Personal services | \$ 613,035 | \$ 620,535 | \$ 613,976 | \$ 6,559 | \$ 610,928 |
| Supplies | 200,100 | 200,100 | 262,529 | (62,429) | 241,573 |
| Other services and charges | 624,600 | 824,600 | 633,262 | 191,338 | 631,365 |
| Total streets and alleys | <u>1,437,735</u> | <u>1,645,235</u> | <u>1,509,767</u> | <u>135,468</u> | <u>1,483,866</u> |
| Total streets and highways | <u>1,908,439</u> | <u>2,115,939</u> | <u>1,984,824</u> | <u>131,115</u> | <u>1,907,491</u> |
| Culture and recreation | | | | | |
| Parks and recreation administration | | | | | |
| Personal services | 221,944 | 221,944 | 216,223 | 5,721 | 212,440 |
| Supplies | 1,700 | 1,700 | 1,280 | 420 | 1,487 |
| Other services and charges | 41,500 | 41,500 | 43,069 | (1,569) | 42,400 |
| Total park and recreation administration | <u>265,144</u> | <u>265,144</u> | <u>260,572</u> | <u>4,572</u> | <u>256,327</u> |
| Recreation | | | | | |
| Personal services | 165,684 | 165,684 | 152,503 | 13,181 | 152,415 |
| Supplies | 47,000 | 47,000 | 41,945 | 5,055 | 47,840 |
| Other services and charges | 36,750 | 36,750 | 35,652 | 1,098 | 40,913 |
| Total recreation | <u>249,434</u> | <u>249,434</u> | <u>230,100</u> | <u>19,334</u> | <u>241,168</u> |
| Senior citizen center | | | | | |
| Personal services | 40,272 | 40,272 | 37,076 | 3,196 | 36,039 |
| Supplies | 8,250 | 8,250 | 1,786 | 6,464 | 2,494 |
| Other services and charges | 38,100 | 38,100 | 49,149 | (11,049) | 47,624 |
| Total senior citizen center | <u>86,622</u> | <u>86,622</u> | <u>88,011</u> | <u>(1,389)</u> | <u>86,157</u> |
| Evergreen building | | | | | |
| Supplies | 1,550 | 1,550 | 3,328 | (1,778) | 1,487 |
| Other services and charges | 25,700 | 25,700 | 24,257 | 1,443 | 24,427 |
| Total evergreen building | <u>27,250</u> | <u>27,250</u> | <u>27,585</u> | <u>(335)</u> | <u>25,914</u> |
| Civic arena | | | | | |
| Personal services | 165,904 | 165,904 | 173,497 | (7,593) | 165,607 |
| Supplies | 32,990 | 32,990 | 32,412 | 578 | 32,983 |
| Other services and charges | 156,350 | 156,350 | 161,407 | (5,057) | 166,816 |
| Total civic arena | <u>355,244</u> | <u>355,244</u> | <u>367,316</u> | <u>(12,072)</u> | <u>365,406</u> |
| Park | | | | | |
| Personal services | 607,769 | 607,769 | 587,305 | 20,464 | 588,265 |
| Supplies | 153,700 | 153,700 | 153,706 | (6) | 132,812 |
| Other services and charges | 164,900 | 164,900 | 152,303 | 12,597 | 155,768 |
| Total park | <u>926,369</u> | <u>926,369</u> | <u>893,314</u> | <u>33,055</u> | <u>876,845</u> |
| Recreation building | | | | | |
| Personal services | 175,867 | 175,867 | 173,439 | 2,428 | 175,717 |
| Supplies | 15,200 | 15,200 | 15,738 | (538) | 15,233 |
| Other services and charges | 46,300 | 46,300 | 44,798 | 1,502 | 44,803 |
| Total recreation building | <u>237,367</u> | <u>237,367</u> | <u>233,975</u> | <u>3,392</u> | <u>235,753</u> |

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

| | 2019 | | | | 2018 |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------------------|---------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Culture and recreation (continued) | | | | | |
| Waterpark | | | | | |
| Personal services | \$ 263,740 | \$ 263,740 | \$ 217,448 | \$ 46,292 | \$ 240,611 |
| Supplies | 84,250 | 84,250 | 59,262 | 24,988 | 70,008 |
| Other services and charges | 40,850 | 40,850 | 43,062 | (2,212) | 38,109 |
| Total waterpark | <u>388,840</u> | <u>388,840</u> | <u>319,772</u> | <u>69,068</u> | <u>348,728</u> |
| Events center | | | | | |
| Personal services | 181,022 | 181,022 | 179,471 | 1,551 | 169,457 |
| Supplies | 8,270 | 8,270 | 6,884 | 1,386 | 12,135 |
| Other services and charges | 73,850 | 73,850 | 60,808 | 13,042 | 75,390 |
| Total events center | <u>263,142</u> | <u>263,142</u> | <u>247,163</u> | <u>15,979</u> | <u>256,982</u> |
| Library | | | | | |
| Supplies | 5,000 | 5,000 | 3,490 | 1,510 | 2,229 |
| Other services and charges | 218,460 | 218,460 | 215,794 | 2,666 | 215,227 |
| Total library | <u>223,460</u> | <u>223,460</u> | <u>219,284</u> | <u>4,176</u> | <u>217,456</u> |
| Total culture and recreation | <u>3,022,872</u> | <u>3,022,872</u> | <u>2,887,092</u> | <u>135,780</u> | <u>2,910,736</u> |
| Miscellaneous | | | | | |
| Cemetery | | | | | |
| Personal services | 91,359 | 83,859 | 78,670 | 5,189 | 75,011 |
| Supplies | 15,450 | 15,450 | 18,747 | (3,297) | 11,669 |
| Other services and charges | 26,350 | 26,350 | 32,806 | (6,456) | 27,906 |
| Total cemetery | <u>133,159</u> | <u>125,659</u> | <u>130,223</u> | <u>(4,564)</u> | <u>114,586</u> |
| Airport | | | | | |
| Personal services | 36,620 | 36,620 | 38,978 | (2,358) | 32,641 |
| Supplies | 8,500 | 8,500 | 18,290 | (9,790) | 6,316 |
| Other services and charges | 75,550 | 75,550 | 66,708 | 8,842 | 62,435 |
| Total airport | <u>120,670</u> | <u>120,670</u> | <u>123,976</u> | <u>(3,306)</u> | <u>101,392</u> |
| Unallocated | | | | | |
| Other services and charges | 762,500 | 762,500 | 719,442 | 43,058 | 698,321 |
| Total miscellaneous | <u>1,016,329</u> | <u>1,008,829</u> | <u>973,641</u> | <u>35,188</u> | <u>914,299</u> |
| Total current | <u>13,012,823</u> | <u>13,212,823</u> | <u>12,812,323</u> | <u>400,500</u> | <u>12,584,902</u> |
| Capital outlay | | | | | |
| Streets and highways | - | - | - | - | 6,293 |
| Culture and recreation | - | - | 8,200 | (8,200) | 7,699 |
| Miscellaneous | 10,000 | 10,000 | 9,366 | 634 | 27,730 |
| Total capital outlay | <u>10,000</u> | <u>10,000</u> | <u>17,566</u> | <u>(7,566)</u> | <u>41,722</u> |
| Total Expenditures | <u>13,022,823</u> | <u>13,222,823</u> | <u>12,829,889</u> | <u>392,934</u> | <u>12,626,624</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | <u>(2,395,205)</u> | <u>(2,595,205)</u> | <u>(2,021,718)</u> | <u>573,487</u> | <u>(1,725,147)</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | - | - | 2,500 | 2,500 | 6,495 |
| Transfers in | 2,497,175 | 2,497,175 | 2,497,116 | (59) | 2,748,853 |
| Transfers out | (101,970) | (101,970) | (101,970) | - | (501,288) |
| Total Other Financing Sources (Uses) | <u>2,395,205</u> | <u>2,395,205</u> | <u>2,397,646</u> | <u>2,441</u> | <u>2,254,060</u> |
| Net Change in Fund Balances | - | (200,000) | 375,928 | 575,928 | 528,913 |
| Fund Balances, January 1 | <u>7,248,735</u> | <u>7,248,735</u> | <u>7,248,735</u> | <u>-</u> | <u>6,719,822</u> |
| Fund Balances, December 31 | <u>\$ 7,248,735</u> | <u>\$ 7,048,735</u> | <u>\$ 7,624,663</u> | <u>\$ 575,928</u> | <u>\$ 7,248,735</u> |

DEBT SERVICE FUNDS

The Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from City resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

City of Hutchinson, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued on Following Pages)
December 31, 2019

| | 382 | 383 | 326 |
|---|--|--|--|
| | G.O. Tax Increment Bonds 1992 | G.O. Tax Increment Refunding Bonds 2004 | Special Assessment Bonds 2006/2012B |
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Cash and investments | \$ - | \$ 183,817 | \$ 183,091 |
| Receivables | | | |
| Delinquent special assessments | - | - | 218 |
| Noncurrent special assessments | - | - | 17,499 |
| Intergovernmental | - | - | 997 |
| Advances to other funds | - | 480,906 | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ -</u> | <u>\$ 664,723</u> | <u>\$ 201,805</u> |
| Liabilities | | | |
| Accounts payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | |
| Special assessments | - | - | 17,717 |
| Interest receivable | - | 43,058 | - |
| Total Deferred Inflows of Resources | <u>-</u> | <u>43,058</u> | <u>17,717</u> |
| Fund Balances | | | |
| Restricted | <u>-</u> | <u>621,665</u> | <u>184,088</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ -</u> | <u>\$ 664,723</u> | <u>\$ 201,805</u> |

| 328 Special Assessment Bonds 2008 | 329 Special Assessment Bonds 2009 | 330 Special Assessment Bonds 2010 | 331 Special Assessment Bonds 2011 |
|--|--|--|--|
| \$ 54,818 | \$ 222,228 | \$ 283,889 | \$ 606,463 |
| 96,560 | - | 3,831 | 7,533 |
| - | - | 42,297 | 164,885 |
| 452 | 621 | 1,328 | 619 |
| - | - | - | - |
| <u>\$ 151,830</u> | <u>\$ 222,849</u> | <u>\$ 331,345</u> | <u>\$ 779,500</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 96,560 | - | 46,128 | 172,418 |
| - | - | - | - |
| <u>96,560</u> | <u>-</u> | <u>46,128</u> | <u>172,418</u> |
| <u>55,270</u> | <u>222,849</u> | <u>285,217</u> | <u>607,082</u> |
| <u>\$ 151,830</u> | <u>\$ 222,849</u> | <u>\$ 331,345</u> | <u>\$ 779,500</u> |

City of Hutchinson, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2019

| | 332 Special Assessment Bonds 2012 | 333 Special Assessment Bonds 2013 | 334 Special Assessment Bonds 2014 |
|---|--|--|--|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Assets | | | |
| Cash and investments | \$ 661,069 | \$ 662,769 | \$ 402,644 |
| Receivables | | | |
| Delinquent special assessments | 5,147 | 5,727 | 474 |
| Noncurrent special assessments | 89,854 | 103,120 | 236,325 |
| Intergovernmental | 514 | 548 | 606 |
| Advances to other funds | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 756,584</u> | <u>\$ 772,164</u> | <u>\$ 640,049</u> |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue | | | |
| Special assessments | 95,001 | 108,847 | 236,799 |
| Interest receivable | - | - | - |
| Total Deferred Inflows of Resources | <u>95,001</u> | <u>108,847</u> | <u>236,799</u> |
| Fund Balances | | | |
| Restricted | <u>661,583</u> | <u>663,317</u> | <u>403,250</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 756,584</u> | <u>\$ 772,164</u> | <u>\$ 640,049</u> |

| 335 Special Assessment Bonds 2015 | 336 Special Assessment Bonds 2016 | 337 Special Assessment Bonds 2017 | 338 Special Assessment Bonds 2018 | 339 Special Assessment Bonds 2019 | Total |
|--|--|--|--|--|---------------------|
| \$ 445,702 | \$ 453,673 | \$ 467,165 | \$ 421,201 | \$ 505,735 | \$ 5,554,264 |
| 74 | 4 | - | - | - | 119,568 |
| 125,335 | 200,675 | 186,290 | 245,940 | 158,485 | 1,570,705 |
| 584 | 1,212 | 1,171 | 714 | - | 9,366 |
| - | - | - | - | - | 480,906 |
| <u>\$ 571,695</u> | <u>\$ 655,564</u> | <u>\$ 654,626</u> | <u>\$ 667,855</u> | <u>\$ 664,220</u> | <u>\$ 7,734,809</u> |
| \$ - | \$ - | \$ 2,500 | \$ - | \$ - | \$ 2,500 |
| 125,409 | 200,679 | 186,290 | 245,940 | 158,485 | 1,690,273 |
| - | - | - | - | - | 43,058 |
| <u>125,409</u> | <u>200,679</u> | <u>186,290</u> | <u>245,940</u> | <u>158,485</u> | <u>1,733,331</u> |
| <u>446,286</u> | <u>454,885</u> | <u>465,836</u> | <u>421,915</u> | <u>505,735</u> | <u>5,998,978</u> |
| <u>\$ 571,695</u> | <u>\$ 655,564</u> | <u>\$ 654,626</u> | <u>\$ 667,855</u> | <u>\$ 664,220</u> | <u>\$ 7,734,809</u> |

City of Hutchinson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on Following Pages)
For the Year Ended December 31, 2019

| | 382 G.O. Tax Increment Bonds 1992 | 383 G.O. Tax Increment Refunding Bonds 2004 | 326 Special Assessment Bonds 2006/2012B |
|--|--|--|--|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ - | \$ - | \$ 254,410 |
| Tax increment district taxes | 21,282 | - | - |
| Special assessments | - | - | 3,276 |
| Investment earnings | 289 | 15,082 | 1,051 |
| Total Revenues | <u>21,571</u> | <u>15,082</u> | <u>258,737</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | - | - | 355,000 |
| Interest and other | 1,093 | 1,093 | 15,217 |
| Total Expenditures | <u>1,093</u> | <u>1,093</u> | <u>370,217</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>20,478</u> | <u>13,989</u> | <u>(111,480)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 20,478 | - |
| Transfers out | <u>(20,478)</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(20,478)</u> | <u>20,478</u> | <u>-</u> |
| Net Change in Fund Balances | - | 34,467 | (111,480) |
| Fund Balances, January 1 | <u>-</u> | <u>587,198</u> | <u>295,568</u> |
| Fund Balances, December 31 | <u>\$ -</u> | <u>\$ 621,665</u> | <u>\$ 184,088</u> |

| 328 Special Assessment Bonds 2008 | 329 Special Assessment Bonds 2009 | 330 Special Assessment Bonds 2010 | 331 Special Assessment Bonds 2011 |
|--|--|--|--|
| \$ 115,369 | \$ 158,555 | \$ 79,088 | \$ 157,922 |
| - | - | - | - |
| - | 12,068 | 31,601 | 83,938 |
| 175 | 2,451 | 4,544 | 9,584 |
| <u>115,544</u> | <u>173,074</u> | <u>115,233</u> | <u>251,444</u> |
| 100,000 | 170,000 | 180,000 | 215,000 |
| 10,246 | 28,471 | 19,436 | 40,942 |
| <u>110,246</u> | <u>198,471</u> | <u>199,436</u> | <u>255,942</u> |
| 5,298 | (25,397) | (84,203) | (4,498) |
| - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - |
| 5,298 | (25,397) | (84,203) | (4,498) |
| 49,972 | 248,246 | 369,420 | 611,580 |
| <u>\$ 55,270</u> | <u>\$ 222,849</u> | <u>\$ 285,217</u> | <u>\$ 607,082</u> |

City of Hutchinson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued)
For the Year Ended December 31, 2019

| | 332 Special Assessment Bonds 2012 | 333 Special Assessment Bonds 2013 | 334 Special Assessment Bonds 2014 |
|--|--|--|--|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ 131,091 | \$ 139,895 | \$ 130,985 |
| Tax increment district taxes | - | - | - |
| Special assessments | 35,514 | 34,325 | 52,576 |
| Investment earnings | 11,695 | 11,712 | 6,127 |
| Total Revenues | <u>178,300</u> | <u>185,932</u> | <u>189,688</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | 170,000 | 165,000 | 180,000 |
| Interest and other | 30,452 | 45,362 | 43,996 |
| Total Expenditures | <u>200,452</u> | <u>210,362</u> | <u>223,996</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(22,152)</u> | <u>(24,430)</u> | <u>(34,308)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (22,152) | (24,430) | (34,308) |
| Fund Balances, January 1 | <u>683,735</u> | <u>687,747</u> | <u>437,558</u> |
| Fund Balances, December 31 | <u><u>\$ 661,583</u></u> | <u><u>\$ 663,317</u></u> | <u><u>\$ 403,250</u></u> |

| 335 Special Assessment Bonds 2015 | 336 Special Assessment Bonds 2016 | 337 Special Assessment Bonds 2017 | 338 Special Assessment Bonds 2018 | 339 Special Assessment Bonds 2019 | Total |
|--|--|--|--|--|---------------------|
| \$ 149,176 | \$ 151,916 | \$ 212,926 | \$ 182,247 | \$ - | \$ 1,863,580 |
| - | - | - | - | - | 21,282 |
| 24,873 | 49,423 | 10,917 | 61,523 | 504,060 | 904,094 |
| 7,211 | 7,080 | 5,517 | 6,158 | 1,675 | 90,351 |
| <u>181,260</u> | <u>208,419</u> | <u>229,360</u> | <u>249,928</u> | <u>505,735</u> | <u>2,879,307</u> |
| 145,000 | 170,000 | 230,000 | - | - | 2,080,000 |
| 51,447 | 44,642 | 68,842 | 64,502 | - | 465,741 |
| <u>196,447</u> | <u>214,642</u> | <u>298,842</u> | <u>64,502</u> | <u>-</u> | <u>2,545,741</u> |
| <u>(15,187)</u> | <u>(6,223)</u> | <u>(69,482)</u> | <u>185,426</u> | <u>505,735</u> | <u>333,566</u> |
| - | - | 74,121 | - | - | 94,599 |
| - | - | - | - | - | (20,478) |
| - | - | <u>74,121</u> | - | - | <u>74,121</u> |
| (15,187) | (6,223) | 4,639 | 185,426 | 505,735 | 407,687 |
| <u>461,473</u> | <u>461,108</u> | <u>461,197</u> | <u>236,489</u> | <u>-</u> | <u>5,591,291</u> |
| <u>\$ 446,286</u> | <u>\$ 454,885</u> | <u>\$ 465,836</u> | <u>\$ 421,915</u> | <u>\$ 505,735</u> | <u>\$ 5,998,978</u> |

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Central Garage and Equipment Fund: This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are maintained by the central garage and billed for the maintenance on a departmental basis.

Self-insurance Fund: This fund is used to account for the costs of the City employee dental insurance plan. Premiums are paid by the benefiting funds and dental insurance and other claims are paid out of the fund.

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2019

| | <u>701</u> <u>Central Garage</u> | <u>703</u> <u>Self-insurance</u> | <u>Total</u> |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and investments | \$ 1,379,821 | \$ 474,924 | \$ 1,854,745 |
| Receivables | | | |
| Interest | 2,612 | 1,178 | 3,790 |
| Intergovernmental | 22,530 | - | 22,530 |
| Total Current Assets | <u>1,404,963</u> | <u>476,102</u> | <u>1,881,065</u> |
| Capital Assets | | | |
| Machinery and equipment | 1,514,563 | - | 1,514,563 |
| Vehicles | 3,856,487 | - | 3,856,487 |
| Less accumulated depreciation | <u>(3,083,833)</u> | <u>-</u> | <u>(3,083,833)</u> |
| Total Capital Assets | <u>2,287,217</u> | <u>-</u> | <u>2,287,217</u> |
| Total Assets | <u>3,692,180</u> | <u>476,102</u> | <u>4,168,282</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 7,244 | 6,496 | 13,740 |
| Accrued interest payable | 4,333 | - | 4,333 |
| Current portion of debt | <u>310,000</u> | <u>-</u> | <u>310,000</u> |
| Total Current Liabilities | <u>321,577</u> | <u>6,496</u> | <u>328,073</u> |
| Noncurrent Liabilities | | | |
| Bonds payable | <u>225,039</u> | <u>-</u> | <u>225,039</u> |
| Total Liabilities | <u>546,616</u> | <u>6,496</u> | <u>553,112</u> |
| Net Position | | | |
| Net investment in capital assets | 1,752,178 | - | 1,752,178 |
| Unrestricted | <u>1,393,386</u> | <u>469,606</u> | <u>1,862,992</u> |
| Total Net Position | <u>\$ 3,145,564</u> | <u>\$ 469,606</u> | <u>\$ 3,615,170</u> |

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

| | 701 <u>Central Garage</u> | 703 <u>Self-insurance</u> | <u>Total</u> |
|---|-------------------------------------|-------------------------------------|---------------------|
| Operating Revenues | | | |
| Charges for services | | | |
| Premiums | \$ - | \$ 115,312 | \$ 115,312 |
| Vehicle rent | 275,000 | - | 275,000 |
| Total Operating Revenues | <u>275,000</u> | <u>115,312</u> | <u>390,312</u> |
| Operating Expenses | | | |
| Medical and dental claims | - | 87,919 | 87,919 |
| Other services and charges | - | 12,878 | 12,878 |
| Depreciation | 389,250 | - | 389,250 |
| Total Operating Expenses | <u>389,250</u> | <u>100,797</u> | <u>490,047</u> |
| Operating Loss | <u>(114,250)</u> | <u>14,515</u> | <u>(99,735)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Property taxes | 336,420 | - | 336,420 |
| Interest earnings | 38,262 | 18,344 | 56,606 |
| Gain on sale of capital assets | 54,272 | - | 54,272 |
| Interest expense - bonds | (10,941) | - | (10,941) |
| Bond premium amortization | 7,520 | - | 7,520 |
| Total Nonoperating Revenues (Expenses) | <u>425,533</u> | <u>18,344</u> | <u>443,877</u> |
| Income Before Transfers and Contributions | 311,283 | 32,859 | 344,142 |
| Capital Contributions from Others | 60,000 | - | 60,000 |
| Transfers Out | <u>-</u> | <u>(92,000)</u> | <u>(92,000)</u> |
| Change in Net Position | 371,283 | (59,141) | 312,142 |
| Net Position, January 1 | <u>2,774,281</u> | <u>528,747</u> | <u>3,303,028</u> |
| Net Position, December 31 | <u>\$ 3,145,564</u> | <u>\$ 469,606</u> | <u>\$ 3,615,170</u> |

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2019

| | 701 | 703 | |
|---|-----------------------|-----------------------|---------------------|
| | <u>Central Garage</u> | <u>Self-insurance</u> | <u>Total</u> |
| Cash Flows from Operating Activities | | | |
| Receipts from interfund services provided | \$ 275,000 | \$ 115,312 | \$ 390,312 |
| Payments to suppliers and vendors | 6,941 | (98,257) | (91,316) |
| Net Cash Provided by Operating Activities | <u>281,941</u> | <u>17,055</u> | <u>298,996</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers out | <u>-</u> | <u>(92,000)</u> | <u>(92,000)</u> |
| Cash Flows from Capital and Related | | | |
| Purchase of capital assets | (300,333) | - | (300,333) |
| Capital grants and contributions received | 81,758 | - | 81,758 |
| Proceeds from sale of capital assets | 57,257 | - | 57,257 |
| Property taxes received | 336,420 | - | 336,420 |
| Principal paid on long-term debt | (325,000) | - | (325,000) |
| Interest paid on long-term debt | (13,650) | - | (13,650) |
| Net Cash Used by Capital and Related Financing Activities | <u>(163,548)</u> | <u>-</u> | <u>(163,548)</u> |
| Cash Flows from Investing Activities | | | |
| Interest received on investments | <u>38,444</u> | <u>18,968</u> | <u>57,412</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 156,837 | (55,977) | 100,860 |
| Cash and Cash Equivalents, January 1 | <u>1,222,984</u> | <u>530,901</u> | <u>1,753,885</u> |
| Cash and Cash Equivalents, December 31 | <u>\$ 1,379,821</u> | <u>\$ 474,924</u> | <u>\$ 1,854,745</u> |
| Reconciliation of Operating Income (Loss) to | | | |
| Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$ (114,250) | \$ 14,515 | \$ (99,735) |
| Adjustments to reconcile operating income (loss) to | | | |
| net cash provided by operating activities | | | |
| Depreciation | 389,250 | - | 389,250 |
| Increase in liabilities | | | |
| Accounts payable | 6,941 | 2,540 | 9,481 |
| Net Cash Provided by Operating Activities | <u>\$ 281,941</u> | <u>\$ 17,055</u> | <u>\$ 298,996</u> |
| Schedule of Noncash Investing, Capital and Financing Activities | | | |
| Gain on disposal of capital assets | <u>\$ 54,272</u> | <u>\$ -</u> | <u>\$ 54,272</u> |
| Book value of disposed of asset | <u>\$ 2,985</u> | <u>\$ -</u> | <u>\$ 2,985</u> |

DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Balance Sheet/Statement of Net Position
December 31, 2019

| | |
|---|--------------------------|
| Assets | |
| Cash and investments | \$ 145,691 |
| Receivables | |
| Interest | 281 |
| Intergovernmental | 727 |
| Prepaid items | <u>1,052</u> |
| Total Assets | <u><u>\$ 147,751</u></u> |
| Liabilities | |
| Accounts payable | \$ 719 |
| Accrued salaries payable | 6,138 |
| Accrued vacation payable | <u>816</u> |
| Total Liabilities | 7,673 |
| Fund Balances | |
| Assigned | <u>140,078</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 147,751</u></u> |
| Amounts reported for governmental activities in the statement of net position are different because | |
| Total Fund Balances - Economic Development Authority | \$ 140,078 |
| 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 | |
| Other post-employment benefit obligation | (6,025) |
| Net pension liability | (88,708) |
| Governmental funds do not report long-term amounts related to pensions and other post employment benefits. | |
| Deferred outflows of pension resources | 7,375 |
| Deferred inflows of pension resources | (16,556) |
| Deferred outflows of other postemployment benefits | 286 |
| Deferred inflows of other postemployment benefits | (599) |
| Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. | |
| | <u>(404)</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 35,447</u></u> |

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Position
For the Year Ended December 31, 2019

| | |
|---|--------------------------|
| Revenues | |
| Taxes | |
| Property taxes | \$ 182,054 |
| Investment earnings | 4,352 |
| Miscellaneous | 1,926 |
| Total Revenues | <u>188,332</u> |
| Expenditures | |
| Current | |
| Housing and economic development | <u>184,968</u> |
| Net Change in Fund Balances | 3,364 |
| Fund Balances, January 1 | <u>136,714</u> |
| Fund Balances, December 31 | <u><u>\$ 140,078</u></u> |
| Amounts reported for governmental activities in the statement of activities are different because | |
| Net Change in Fund Balances - Economic Development Authority | \$ 3,364 |
| Long-term pension activity is not reported in governmental funds. | |
| Pension expense | (1,091) |
| Pension revenue | 207 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Other post-employment benefit costs | (211) |
| Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities. | |
| | <u>201</u> |
| Change in Net Position - Governmental Activities | <u><u>\$ 2,470</u></u> |

City of Hutchinson, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

| | Totals | | Percent Increase (Decrease) |
|---|-----------------------------|-----------------------------|-----------------------------------|
| | 2019 | 2018 | |
| Revenues | | | |
| Taxes | \$ 7,452,325 | \$ 7,371,440 | 1.10 % |
| Special assessments | 923,986 | 1,088,178 | (15.09) |
| Licenses and permits | 529,002 | 561,655 | (5.81) |
| Intergovernmental | 6,904,746 | 5,013,658 | 37.72 |
| Charges for services | 2,916,389 | 2,772,324 | 5.20 |
| Fines and forfeits | 67,225 | 55,989 | 20.07 |
| Investment earnings | 631,050 | 218,938 | 188.23 |
| Miscellaneous | 857,919 | 7,242,496 | (88.15) |
| Total Revenues | <u>\$ 20,282,642</u> | <u>\$ 24,324,678</u> | (16.62) % |
| Per Capita | \$ 1,422 | \$ 1,714 | (17.04) % |
| Expenditures | | | |
| Current | | | |
| General government | \$ 2,329,239 | \$ 2,254,302 | 3.32 % |
| Public safety | 4,758,499 | 4,723,644 | 0.74 |
| Streets and highways | 2,598,778 | 2,453,797 | 5.91 |
| Culture and recreation | 2,939,353 | 2,933,982 | 0.18 |
| Economic development | 319,328 | 278,181 | 14.79 |
| Miscellaneous | 973,641 | 914,299 | 6.49 |
| Capital outlay | | | |
| General government | 66,126 | 43,786 | 51.02 |
| Public safety | 144,354 | 132,269 | 9.14 |
| Streets and highways | 7,231,687 | 5,876,324 | 23.06 |
| Culture and recreation | 1,156,562 | 432,011 | 167.72 |
| Economic development | - | 27,138 | (100.00) |
| Miscellaneous | 474,202 | 510,724 | (7.15) |
| Debt service | | | |
| Principal | 2,110,000 | 1,970,000 | 7.11 |
| Interest and other charges | 489,069 | 475,741 | 2.80 |
| Bond issuance costs | 54,307 | 36,057 | 50.61 |
| Total Expenditures | <u>\$ 25,645,145</u> | <u>\$ 23,062,255</u> | 11.20 % |
| Per Capita | \$ 1,798 | \$ 1,625 | 10.64 % |
| Total Long-Term Indebtedness | \$ 19,335,000 | \$ 19,095,000 | 1.26 % |
| Per Capita | 1,356 | 1,346 | 0.75 |
| General Fund Balance - December 31 | \$ 7,624,663 | \$ 7,248,735 | 5.19 % |
| Per Capita | 535 | 511 | 4.65 |

The purpose of this report is to provide a summary of financial information concerning the City of Hutchinson, Minnesota to interested citizens. The complete financial statements may be examined at 111 Hassan St. SE, Hutchinson, Minnesota. Questions about this report should be directed to Andy Reid, Finance Director at 320-234-4244.

STATISTICAL SECTION
(UNAUDITED)

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Hutchinson'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 government'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.

Revenue Capacity

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

Debt Capacity

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

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.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Hutchinson, Minnesota
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 66,499,781 | \$ 63,850,387 | \$ 61,255,089 | \$ 57,290,296 | \$ 53,823,361 |
| Restricted | 11,088,577 | 10,716,849 | 9,853,847 | 10,680,796 | 11,119,053 |
| Unrestricted | 11,057,517 | 10,919,210 | 5,478,380 | 6,860,854 | 9,263,817 |
| Total Governmental Activities Net Position | 88,645,875 | 85,486,446 | 76,587,316 | 74,831,946 | 74,206,231 |
| Business-type Activities | | | | | |
| Net investment in capital assets | 85,016,805 | 87,042,770 | 83,793,697 | 83,737,730 | 86,594,081 |
| Restricted | - | - | 3,561,829 | 2,539,625 | 541,716 |
| Unrestricted | 39,155,727 | 31,742,528 | 26,447,540 | 24,470,821 | 21,113,701 |
| Total Business-type Activities Net Position | 124,172,532 | 118,785,298 | 113,803,066 | 110,748,176 | 108,249,498 |
| Primary Government | | | | | |
| Net investment in capital assets | 151,516,586 | 150,893,157 | 145,048,786 | 141,028,026 | 140,417,442 |
| Restricted | 11,088,577 | 10,716,849 | 13,415,676 | 13,220,421 | 11,660,769 |
| Unrestricted | 50,213,244 | 42,661,738 | 31,925,920 | 31,331,675 | 30,377,518 |
| Total Primary Government Net Position | \$ 212,818,407 | \$ 204,271,744 | \$ 190,390,382 | \$ 185,580,122 | \$ 182,455,729 |

Source: Financial Statements

Table 1

| Fiscal Year | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ 50,999,100 | \$ 49,566,730 | \$ 46,659,087 | \$ 46,273,082 | \$ 44,483,859 |
| 10,939,342 | 9,121,915 | 9,595,849 | 10,431,764 | 9,854,186 |
| 15,351,159 | 18,324,681 | 17,538,239 | 13,585,520 | 13,707,354 |
| <u>77,289,601</u> | <u>77,013,326</u> | <u>73,793,175</u> | <u>70,290,366</u> | <u>68,045,399</u> |
| 85,492,312 | 85,583,151 | 85,784,415 | 79,471,842 | 77,762,739 |
| 365,983 | 191,832 | 194,548 | 380,755 | 349,212 |
| 24,293,705 | 20,135,323 | 18,397,355 | 21,936,120 | 20,550,035 |
| <u>110,152,000</u> | <u>105,910,306</u> | <u>104,376,318</u> | <u>101,788,717</u> | <u>98,661,986</u> |
| 136,491,412 | 135,149,881 | 132,443,502 | 125,744,924 | 122,246,598 |
| 11,305,325 | 9,313,747 | 9,790,397 | 10,812,519 | 10,203,398 |
| 39,644,864 | 38,460,004 | 35,935,594 | 35,521,640 | 34,257,389 |
| <u>\$ 187,441,601</u> | <u>\$ 182,923,632</u> | <u>\$ 178,169,493</u> | <u>\$ 172,079,083</u> | <u>\$ 166,707,385</u> |

City of Hutchinson, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Expenses | | | | | |
| Governmental Activities | | | | | |
| General government | \$ 2,435,032 | \$ 2,341,846 | \$ 2,391,495 | \$ 2,354,768 | \$ 2,274,447 |
| Public safety | 4,987,199 | 4,631,282 | 4,836,976 | 5,307,395 | 4,297,569 |
| Streets and highways | 5,657,370 | 5,368,926 | 5,438,739 | 5,421,270 | 4,568,949 |
| Culture and recreation | 3,766,612 | 3,598,025 | 3,428,673 | 2,892,986 | 2,779,174 |
| Housing and economic development | 392,392 | 349,307 | 280,895 | 583,421 | 217,094 |
| Miscellaneous | 1,216,593 | 1,224,478 | 1,229,192 | 1,316,993 | 1,109,584 |
| Interest on long-term debt | 502,343 | 475,627 | 477,838 | 491,730 | 436,626 |
| Total Governmental Activities Expenses | <u>18,957,541</u> | <u>17,989,491</u> | <u>18,083,808</u> | <u>18,368,563</u> | <u>15,683,443</u> |
| Business-type Activities | | | | | |
| Electric | 27,345,524 | 28,140,954 | 27,379,450 | 26,538,262 | 26,936,359 |
| Natural gas | 9,776,175 | 9,439,397 | 10,304,619 | 9,232,357 | 9,563,857 |
| Water | 2,621,826 | 2,421,732 | 2,635,888 | 2,610,633 | 2,634,150 |
| Sewer | 3,087,632 | 3,196,430 | 3,303,898 | 3,593,584 | 3,327,256 |
| Refuse | 1,160,163 | 1,121,538 | 1,087,830 | 1,077,519 | 1,036,616 |
| Composting | 2,360,824 | 2,267,201 | 1,855,135 | 2,064,529 | 2,634,096 |
| Storm water | 691,435 | 609,845 | 632,334 | 585,575 | 497,695 |
| Liquor | 5,822,275 | 5,662,393 | 5,634,824 | 5,451,353 | 5,264,041 |
| Total Business-type Activities Expenses | <u>52,865,854</u> | <u>52,859,490</u> | <u>52,833,978</u> | <u>51,153,812</u> | <u>51,894,070</u> |
| Total Primary Government Expenses | <u>\$ 71,823,395</u> | <u>\$ 70,848,981</u> | <u>\$ 70,917,786</u> | <u>\$ 69,522,375</u> | <u>\$67,577,513</u> |
| Program Revenues | | | | | |
| Governmental Activities | | | | | |
| Charges for services | | | | | |
| General government | \$ 677,525 | \$ 679,200 | \$ 696,494 | \$ 641,899 | \$ 663,176 |
| Public safety | 1,120,786 | 1,140,667 | 1,185,169 | 833,853 | 919,533 |
| Streets and highways | 888,371 | 883,671 | 748,479 | 760,014 | 778,973 |
| Culture and recreation | 1,268,375 | 1,384,047 | 1,311,050 | 938,724 | 943,835 |
| Housing and economic development | 73,746 | 88,458 | 18,869 | 19,076 | 22,251 |
| Miscellaneous | 205,034 | 184,545 | 231,923 | 266,494 | 253,403 |
| Operating grants and contributions | 696,234 | 767,930 | 937,732 | 715,410 | 598,506 |
| Capital grants and contributions | 4,367,498 | 2,453,603 | 2,428,531 | 1,823,110 | 3,325,032 |
| Total Governmental Activities Program Revenues | <u>9,297,569</u> | <u>7,582,121</u> | <u>7,558,247</u> | <u>5,998,580</u> | <u>7,504,709</u> |

Table 2

| Fiscal Year | | | | |
|----------------------|---------------------|---------------------|----------------------|---------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ 2,032,887 | \$ 2,307,145 | \$ 2,210,908 | \$ 2,132,263 | \$ 2,241,575 |
| 4,181,806 | 4,018,616 | 4,036,929 | 3,907,785 | 4,113,350 |
| 5,579,567 | 4,909,837 | 4,470,565 | 4,423,328 | 5,413,503 |
| 2,585,826 | 2,675,883 | 2,436,528 | 2,473,720 | 2,444,278 |
| 436,241 | 300,264 | 326,743 | 368,587 | 533,141 |
| 1,267,447 | 1,014,805 | 995,836 | 807,905 | 767,227 |
| 477,101 | 556,537 | 635,721 | 538,400 | 642,718 |
| <u>16,560,875</u> | <u>15,783,087</u> | <u>15,113,230</u> | <u>14,651,988</u> | <u>16,155,792</u> |
| 26,012,324 | 26,189,278 | 26,284,199 | 25,668,586 | 25,706,034 |
| 13,601,847 | 11,450,559 | 10,693,048 | 12,744,621 | 13,542,317 |
| 2,556,042 | 2,717,124 | 2,499,411 | 2,438,187 | 2,489,793 |
| 3,513,726 | 3,736,919 | 3,710,136 | 3,862,158 | 4,020,317 |
| 1,106,012 | 1,079,901 | 1,054,727 | 1,204,465 | 1,165,704 |
| 2,715,660 | 2,449,375 | 2,172,366 | 2,095,500 | 2,010,751 |
| 527,613 | 401,086 | 519,193 | 518,569 | 404,662 |
| 5,098,025 | 4,865,901 | 4,817,672 | 4,642,486 | 4,713,680 |
| <u>55,131,249</u> | <u>52,890,143</u> | <u>51,750,752</u> | <u>53,174,572</u> | <u>54,053,258</u> |
| <u>\$ 71,692,124</u> | <u>\$68,673,230</u> | <u>\$66,863,982</u> | <u>\$ 67,826,560</u> | <u>\$70,209,050</u> |
| \$ 731,450 | \$ 703,624 | \$ 708,213 | \$ 645,877 | \$ 595,552 |
| 819,654 | 525,525 | 439,368 | 423,521 | 509,625 |
| 1,051,923 | 1,139,288 | 1,004,963 | 1,079,416 | 1,049,561 |
| 983,674 | 1,004,713 | 928,700 | 901,738 | 959,799 |
| 21,029 | 51,442 | 55,609 | 54,908 | 83,623 |
| 237,595 | 253,208 | 253,341 | 205,522 | 234,745 |
| 866,989 | 685,199 | 761,593 | 863,828 | 1,392,417 |
| 1,389,461 | 3,053,878 | 1,547,152 | 3,115,830 | 4,088,899 |
| <u>6,101,775</u> | <u>7,416,877</u> | <u>5,698,939</u> | <u>7,290,640</u> | <u>8,914,221</u> |

City of Hutchinson, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Program Revenues (Continued) | | | | | |
| Business-type Activities | | | | | |
| Charges for services | | | | | |
| Electric | \$ 27,965,283 | \$ 28,780,665 | \$ 27,804,162 | \$ 27,207,567 | \$26,882,789 |
| Natural gas | 12,501,316 | 12,830,426 | 12,440,383 | 11,658,645 | 11,425,821 |
| Water | 2,278,265 | 2,321,059 | 2,380,704 | 2,355,374 | 2,482,639 |
| Sewer | 3,204,763 | 3,145,437 | 3,138,718 | 3,194,892 | 3,389,165 |
| Refuse | 1,237,112 | 1,213,982 | 1,187,304 | 1,172,250 | 1,146,693 |
| Composting | 2,423,121 | 2,544,124 | 2,036,626 | 2,143,152 | 3,100,161 |
| Storm water | 957,189 | 929,187 | 898,137 | 868,817 | 802,235 |
| Liquor | 6,371,522 | 6,244,754 | 6,150,453 | 5,989,628 | 5,853,469 |
| Operating grants and contributions | 26,594 | 36,234 | 13,505 | 22,452 | 12,608 |
| Capital grants and contributions | 313,081 | 353,581 | 213,389 | 199,684 | 1,019,453 |
| Total Business-type Activities Program Revenues | <u>57,278,246</u> | <u>58,399,449</u> | <u>56,263,381</u> | <u>54,812,461</u> | <u>56,115,033</u> |
| Total Primary Government Program Revenues | <u>\$ 66,575,815</u> | <u>\$ 65,981,570</u> | <u>\$ 63,821,628</u> | <u>\$ 60,811,041</u> | <u>\$63,619,742</u> |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | \$ (9,659,972) | \$ (10,407,370) | \$ (10,525,561) | \$ (12,369,983) | \$ (8,178,734) |
| Business-type activities | <u>4,412,392</u> | <u>5,539,959</u> | <u>3,429,403</u> | <u>3,658,649</u> | <u>4,220,963</u> |
| Total Primary Government Net Expense | <u>\$ (5,247,580)</u> | <u>\$ (4,867,411)</u> | <u>\$ (7,096,158)</u> | <u>\$ (8,711,334)</u> | <u>\$ (3,957,771)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | \$ 5,131,925 | \$ 4,967,617 | \$ 4,742,969 | \$ 4,597,702 | \$ 4,526,246 |
| Property taxes, levied for debt service | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 | 2,177,193 |
| Tax increments | 165,193 | 234,200 | 271,574 | 293,878 | 267,068 |
| Hotel-motel tax | 110,155 | 103,941 | 100,864 | 95,133 | 96,269 |
| Payment in lieu of taxes | - | 260,624 | 248,213 | 236,393 | 225,137 |
| Franchise taxes | 189,233 | 194,967 | 192,976 | 196,777 | 195,074 |
| Grants and contributions not restricted to specific programs | 2,421,043 | 2,428,676 | 2,316,429 | 2,306,470 | 2,290,237 |
| Unrestricted investment earnings (loss) | 692,739 | 252,723 | 155,127 | 89,916 | 109,278 |
| Other revenues | - | 5,939,376 | 18,050 | 269,357 | 4,904 |
| Gain on sale of capital assets | 59,757 | 46,440 | 242,024 | 106,699 | 8,198 |
| Transfers | 1,849,356 | 2,677,936 | 1,994,792 | 2,603,373 | 750,657 |
| Total Governmental Activities | <u>12,819,401</u> | <u>19,306,500</u> | <u>12,483,018</u> | <u>12,995,698</u> | <u>10,650,261</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Business-type Activities | | | | | |
| Sales tax | 1,537,844 | 1,482,066 | 1,308,598 | 1,270,814 | 1,224,846 |
| Unrestricted investment earnings | 1,183,696 | 595,182 | 265,281 | 88,542 | 134,502 |
| Gain on sale of capital assets | 102,658 | 42,961 | 117,365 | 84,046 | 6,819 |
| Transfers | <u>(1,849,356)</u> | <u>(2,677,936)</u> | <u>(1,994,792)</u> | <u>(2,603,373)</u> | <u>(750,657)</u> |
| Total Business-type Activities | <u>974,842</u> | <u>(557,727)</u> | <u>(303,548)</u> | <u>(1,159,971)</u> | <u>615,510</u> |
| Total Primary Government | <u>\$ 13,794,243</u> | <u>\$ 18,748,773</u> | <u>\$ 12,179,470</u> | <u>\$ 11,835,727</u> | <u>\$11,265,771</u> |
| Changes in Net Position | | | | | |
| Governmental Activities | \$ 3,159,429 | \$ 8,899,130 | \$ 1,957,457 | \$ 625,715 | \$ 2,471,527 |
| Business-type Activities | <u>5,387,234</u> | <u>4,982,232</u> | <u>3,125,855</u> | <u>2,498,678</u> | <u>4,836,473</u> |
| Total Primary Government | <u>\$ 8,546,663</u> | <u>\$ 13,881,362</u> | <u>\$ 5,083,312</u> | <u>\$ 3,124,393</u> | <u>\$ 7,308,000</u> |

Source: Financial Statements

Table 2 (Continued)

| Fiscal Year | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ 26,150,428 | \$25,834,604 | \$27,583,576 | \$ 27,723,908 | \$27,577,008 |
| 16,171,261 | 13,946,578 | 11,799,117 | 14,250,540 | 14,383,916 |
| 2,336,775 | 2,464,672 | 2,569,955 | 2,447,251 | 2,457,829 |
| 3,226,938 | 3,345,367 | 3,394,548 | 3,750,471 | 3,959,736 |
| 1,143,283 | 1,130,817 | 1,135,884 | 1,143,949 | 1,146,573 |
| 3,158,465 | 2,843,294 | 2,422,876 | 2,080,197 | 2,196,486 |
| 735,773 | 677,421 | 637,853 | 581,499 | 563,735 |
| 5,614,596 | 5,388,997 | 5,330,668 | 5,102,948 | 5,045,227 |
| 12,600 | 12,231 | 34,392 | 52,262 | 25,773 |
| 102,476 | 117,357 | 39,047 | 51,087 | 266,078 |
| <u>58,652,595</u> | <u>55,761,338</u> | <u>54,947,916</u> | <u>57,184,112</u> | <u>57,622,361</u> |
| <u>\$ 64,754,370</u> | <u>\$63,178,215</u> | <u>\$60,646,855</u> | <u>\$ 64,474,752</u> | <u>\$66,536,582</u> |
| | | | | |
| \$(10,459,100) | \$ (8,366,210) | \$ (9,414,291) | \$ (7,361,348) | \$ (7,241,571) |
| <u>3,521,346</u> | <u>2,871,195</u> | <u>3,197,164</u> | <u>4,009,540</u> | <u>3,569,103</u> |
| <u>\$ (6,937,754)</u> | <u>\$ (5,495,015)</u> | <u>\$ (6,217,127)</u> | <u>\$ (3,351,808)</u> | <u>\$ (3,672,468)</u> |
| | | | | |
| \$ 4,518,247 | \$ 4,492,207 | \$ 4,531,190 | \$ 4,217,015 | \$ 4,125,739 |
| 2,073,517 | 1,974,778 | 1,974,779 | 1,751,870 | 1,660,746 |
| 315,558 | 323,237 | 281,773 | 274,297 | 264,339 |
| 86,613 | 83,175 | 79,290 | 72,627 | 60,184 |
| 214,416 | 204,206 | 194,482 | 185,220 | 176,400 |
| 184,421 | 85,765 | 84,382 | 83,587 | 78,435 |
| | | | | |
| 2,265,678 | 1,674,549 | 4,059,738 | 2,061,956 | 1,934,252 |
| 223,893 | (93,334) | 108,169 | 231,062 | 97,837 |
| 6,364 | 2,348 | 1,911 | 1,556 | 1,845 |
| 14,924 | 120,359 | 16,608 | 155,757 | 56,829 |
| 831,744 | 2,765,536 | 1,584,778 | 839,268 | (271,849) |
| <u>10,735,375</u> | <u>11,632,826</u> | <u>12,917,100</u> | <u>9,874,215</u> | <u>8,184,757</u> |
| | | | | |
| 1,323,298 | 1,354,668 | 1,300,911 | - | - |
| 183,535 | 63,661 | 236,144 | 147,308 | 174,941 |
| 45,259 | 10,000 | 49,398 | - | 24,354 |
| (831,744) | (2,765,536) | (1,584,778) | (839,268) | 271,849 |
| <u>720,348</u> | <u>(1,337,207)</u> | <u>1,675</u> | <u>(691,960)</u> | <u>471,144</u> |
| <u>\$ 11,455,723</u> | <u>\$10,295,619</u> | <u>\$12,918,775</u> | <u>\$ 9,182,255</u> | <u>\$ 8,655,901</u> |
| | | | | |
| \$ 276,275 | \$ 3,266,616 | \$ 3,502,809 | \$ 2,512,867 | \$ 943,186 |
| <u>4,241,694</u> | <u>1,533,988</u> | <u>3,198,839</u> | <u>3,317,580</u> | <u>4,040,247</u> |
| <u>\$ 4,517,969</u> | <u>\$ 4,800,604</u> | <u>\$ 6,701,648</u> | <u>\$ 5,830,447</u> | <u>\$ 4,983,433</u> |

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City of Hutchinson, Minnesota
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 3

| Fiscal Year | Property Taxes | | Tax Increments | Hotel-Motel Tax | Payment in Lieu of Tax | Franchise Tax | Total |
|-------------|-----------------------------|-------------------------|----------------|-----------------|------------------------|---------------|-------------|
| | Levied for General Purposes | Levied for Debt Service | | | | | |
| 2019 | \$5,131,925 | \$2,200,000 | \$ 165,193 | \$ 110,155 | \$ - | \$ 189,233 | \$7,796,506 |
| 2018 | 4,967,617 | 2,200,000 | 234,200 | 103,941 | 260,624 | 194,967 | 7,961,349 |
| 2017 | 4,742,969 | 2,200,000 | 271,574 | 100,864 | 248,213 | 192,976 | 7,756,596 |
| 2016 | 4,597,702 | 2,200,000 | 293,878 | 95,133 | 236,393 | 196,777 | 7,619,883 |
| 2015 | 4,526,246 | 2,177,193 | 267,068 | 96,269 | 225,137 | 195,074 | 7,486,987 |
| 2014 | 4,518,247 | 2,073,517 | 315,558 | 86,613 | 214,416 | 184,421 | 7,392,772 |
| 2013 | 4,492,207 | 1,974,778 | 323,237 | 83,175 | 204,206 | 85,765 | 7,163,368 |
| 2012 | 4,531,190 | 1,974,779 | 281,773 | 79,290 | 194,482 | 84,382 | 7,145,896 |
| 2011 | 4,217,015 | 1,751,870 | 274,297 | 72,627 | 185,220 | 83,587 | 6,584,616 |
| 2010 | 4,125,739 | 1,660,746 | 264,339 | 60,184 | 176,400 | 78,435 | 6,365,843 |

Source: Financial Statements

City of Hutchinson, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General Fund | | | | | |
| Nonspendable (Reserved in 2009) | \$ 5,762 | \$ 2,110 | \$ 275 | \$ 4,959 | \$ 126,547 |
| Restricted (Reserved in 2009) | 226,754 | 59,514 | 59,514 | 56,607 | 54,607 |
| Committed | 5,381,040 | 5,249,917 | 5,544,809 | 5,266,128 | 4,959,914 |
| Assigned | - | 113,413 | 113,413 | 113,413 | 255,279 |
| Unassigned (Unreserved in 2009) | 2,011,107 | 1,823,781 | 1,001,811 | 1,219,563 | 1,539,298 |
| Total General Fund | \$ 7,624,663 | \$ 7,248,735 | \$ 6,719,822 | \$ 6,660,670 | \$ 6,935,645 |
| All Other Governmental Funds | | | | | |
| Nonspendable, reported in | | | | | |
| Special revenue funds | \$ 260 | \$ - | \$ - | \$ - | \$ - |
| Capital projects funds | - | - | - | - | - |
| Restricted (Reserved in 2009), reported in | | | | | |
| Debt Service funds | 5,998,978 | 5,591,291 | 5,183,989 | 5,481,226 | 4,498,594 |
| Special revenue funds | 3,328,125 | 3,330,716 | 2,904,796 | 3,088,961 | 3,933,227 |
| Capital projects funds | - | - | - | 8,999 | - |
| Committed, reported in | | | | | |
| Special revenue funds | 106,017 | 110,737 | 118,531 | 830,372 | 120,278 |
| Capital projects funds | 3,507,022 | 3,009,837 | - | 236,293 | - |
| Assigned, reported in | | | | | |
| Special revenue funds | 644,870 | 583,327 | 566,448 | 506,798 | 435,872 |
| Capital projects funds | 5,026,875 | 5,253,983 | 2,037,769 | 2,577,499 | 5,383,434 |
| Unassigned (Unreserved in 2009), reported in | | | | | |
| Special revenue funds | (744,370) | (1,488,413) | (749,137) | (298,639) | - |
| Debt Service funds | - | - | - | - | - |
| Capital projects funds | (961,767) | (156,631) | (199,567) | (273,711) | (210,900) |
| Total All Other Governmental Funds | \$ 16,906,010 | \$ 16,234,847 | \$ 9,862,829 | \$ 12,157,798 | \$ 14,160,505 |

Source: Financial Statements

Note: The City implemented GASB 54 in fiscal year 2010, resulting in significant reclassification of the components of fund balance. Years prior to 2010 have not been restated.

Table 4

| Fiscal Year | | | | |
|----------------------|----------------------|----------------------|---------------------|----------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ - | \$ 112,127 | \$ - | \$ 1,196 | \$ - |
| 29,786 | 67,434 | 72,161 | 67,597 | 353,996 |
| 4,663,847 | 4,616,184 | 4,360,875 | 4,268,852 | 4,333,248 |
| 426,610 | 395,301 | 355,293 | 314,755 | 125,000 |
| 1,614,284 | 1,059,185 | 1,464,413 | 1,346,010 | 1,113,391 |
| <u>\$ 6,734,527</u> | <u>\$ 6,250,231</u> | <u>\$ 6,252,742</u> | <u>\$ 5,998,410</u> | <u>\$ 5,925,635</u> |
| \$ - | \$ - | \$ - | \$ 16 | \$ - |
| - | - | - | - | 148,821 |
| 4,950,754 | 4,872,276 | 5,698,459 | 4,284,797 | 7,169,000 |
| 4,057,729 | 2,049,954 | 1,476,793 | 1,329,943 | 1,411,528 |
| - | 12,019 | - | - | 97,653 |
| 120,278 | 121,398 | 130,465 | 129,965 | - |
| 14,661 | - | - | - | - |
| 375,967 | 284,861 | 276,647 | 185,031 | 301,621 |
| 5,926,037 | 7,236,090 | 5,592,191 | 3,710,233 | 3,051,795 |
| (1,026) | (7,159) | (13,037) | (37,026) | (14,062) |
| - | - | - | - | - |
| (111,282) | (28,367) | (12,812) | (87,661) | (20,159) |
| <u>\$ 15,333,118</u> | <u>\$ 14,541,072</u> | <u>\$ 13,148,706</u> | <u>\$ 9,515,298</u> | <u>\$ 12,146,197</u> |

City of Hutchinson, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|---------------------|---------------------|-----------------------|-----------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Revenues | | | | | |
| Taxes | \$ 7,452,325 | \$ 7,371,440 | \$ 6,868,189 | \$ 7,378,523 | \$ 7,255,422 |
| Special assessments | 923,986 | 1,088,178 | 781,191 | 2,812,394 | 830,081 |
| Intergovernmental revenue | 6,904,746 | 5,013,658 | 4,798,875 | 1,904,422 | 5,911,845 |
| Licenses and permits | 529,002 | 561,655 | 686,987 | 281,559 | 324,083 |
| Charges for services | 2,916,389 | 2,772,324 | 2,604,636 | 2,192,444 | 1,922,483 |
| Fines and forfeits | 67,225 | 55,989 | 50,233 | 45,588 | 45,449 |
| Investment earnings (loss) | 631,050 | 218,938 | 134,569 | 74,374 | 101,220 |
| Other revenues | 857,919 | 7,242,496 | 1,161,766 | 1,275,922 | 1,485,213 |
| Total Revenues | 20,282,642 | 24,324,678 | 17,086,446 | 15,965,226 | 17,875,796 |
| Expenditures | | | | | |
| General government | 2,329,239 | 2,254,302 | 2,182,465 | 2,101,566 | 1,995,215 |
| Community development | 319,328 | 278,181 | 242,142 | 575,177 | 208,850 |
| Public safety | 4,758,499 | 4,723,644 | 4,457,700 | 4,208,847 | 4,176,717 |
| Streets and highways | 2,598,778 | 2,453,797 | 2,163,764 | 2,108,807 | 2,161,317 |
| Culture and recreation | 2,939,353 | 2,933,982 | 2,855,857 | 2,392,960 | 2,339,479 |
| Miscellaneous | 973,641 | 914,299 | 892,511 | 972,558 | 887,981 |
| Capital outlay | 9,072,931 | 7,022,252 | 9,521,627 | 8,455,158 | 7,347,784 |
| Debt service | | | | | |
| Principal | 2,110,000 | 1,970,000 | 1,835,000 | 2,150,000 | 3,330,000 |
| Interest | 489,069 | 475,741 | 434,866 | 458,736 | 459,149 |
| Bond issuance costs | 54,307 | 36,057 | 63,431 | 43,495 | 50,384 |
| Total Expenditures | 25,645,145 | 23,062,255 | 24,649,363 | 23,467,304 | 22,956,876 |
| Deficiency of Revenues | | | | | |
| Under Expenditures | (5,362,503) | 1,262,423 | (7,562,917) | (7,502,078) | (5,081,080) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | 2,500 | 6,495 | 107,222 | 2,915 | - |
| Transfers in | 3,779,206 | 4,193,817 | 5,585,344 | 5,926,322 | 3,396,428 |
| Transfers out | (183,091) | (1,006,288) | (2,893,680) | (3,203,949) | (1,508,781) |
| Bonds issued | 2,675,000 | 2,395,000 | 2,445,000 | 2,435,000 | 2,140,000 |
| Premium on bonds issued | 135,979 | 49,484 | 83,214 | 64,108 | 81,938 |
| Discount on bonds issued | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 6,409,594 | 5,638,508 | 5,327,100 | 5,224,396 | 4,109,585 |
| Net Change in Fund Balances | \$ 1,047,091 | \$ 6,900,931 | \$ (2,235,817) | \$ (2,277,682) | \$ (971,495) |
| Debt Service as a Percentage of Noncapital Expenditures | 15.19% | 14.74% | 14.09% | 16.15% | 23.86% |

Source: Financial Statements

* The capital outlay is broken down in the CAFR's by function of government but consolidated on this table.

Table 5

| Fiscal Year | | | | |
|---------------------|---------------------|---------------------|-----------------------|---------------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ 7,168,812 | \$ 6,980,438 | \$ 6,969,013 | \$ 6,582,570 | \$ 6,365,424 |
| 1,057,900 | 1,646,524 | 978,975 | 888,578 | 1,603,764 |
| 4,227,782 | 4,000,220 | 3,871,042 | 4,495,896 | 5,255,753 |
| 283,488 | 278,629 | 241,114 | 223,755 | 314,974 |
| 2,183,844 | 2,249,396 | 2,040,203 | 2,055,597 | 2,050,042 |
| 59,737 | 60,012 | 60,498 | 50,604 | 48,606 |
| 207,830 | (85,668) | 97,918 | 207,153 | 88,886 |
| 2,251,024 | 2,304,362 | 2,248,873 | 1,355,080 | 1,543,394 |
| <u>17,440,417</u> | <u>17,433,913</u> | <u>16,507,636</u> | <u>15,859,233</u> | <u>17,270,843</u> |
| 1,902,830 | 2,247,388 | 2,028,772 | 2,103,242 | 2,044,377 |
| 427,997 | 325,164 | 478,847 | 687,323 | 1,179,804 |
| 3,949,625 | 3,741,161 | 3,756,228 | 3,623,400 | 3,761,614 |
| 2,458,488 | 2,638,192 | 2,406,663 | 2,609,878 | 2,481,888 |
| 2,258,762 | 2,365,151 | 2,133,359 | 2,164,374 | 2,173,344 |
| 834,461 | 712,597 | 710,972 | 647,341 | 595,494 |
| 7,601,893 | 5,892,215 | 5,000,514 | 5,844,312 | 3,981,440 |
| 4,470,000 | 3,080,000 | 2,525,000 | 2,725,000 | 2,720,000 |
| 499,079 | 566,548 | 538,299 | 554,350 | 703,427 |
| 76,143 | 48,223 | 113,173 | 58,268 | - |
| <u>24,479,278</u> | <u>21,616,639</u> | <u>19,691,827</u> | <u>21,017,488</u> | <u>19,641,388</u> |
| <u>(7,038,861)</u> | <u>(4,182,726)</u> | <u>(3,184,191)</u> | <u>(5,158,255)</u> | <u>(2,370,545)</u> |
| - | 525,359 | 16,608 | 127,078 | 37,619 |
| 4,521,284 | 4,381,016 | 4,248,730 | 3,000,203 | 3,166,848 |
| (1,771,083) | (1,615,480) | (1,756,810) | (822,150) | (864,307) |
| 3,415,000 | 2,230,000 | 4,370,000 | 2,830,000 | 4,595,000 |
| 86,554 | 51,686 | 193,403 | - | 214,428 |
| - | - | - | - | - |
| - | - | - | (2,535,000) | - |
| <u>6,251,755</u> | <u>5,572,581</u> | <u>7,071,931</u> | <u>2,600,131</u> | <u>7,149,588</u> |
| <u>\$ (787,106)</u> | <u>\$ 1,389,855</u> | <u>\$ 3,887,740</u> | <u>\$ (2,558,124)</u> | <u>\$ 4,779,043</u> |
| 24.54% | 21.65% | 21.35% | 19.92% | 22.68% |

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City of Hutchinson, Minnesota
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

| Fiscal Year Ended December 31, | Residential Property | Commercial Property | Personal Property | Total Taxable Assessed Value | Estimated ⁽¹⁾ Actual Taxable Value | Total Direct Tax Rate |
|---|-------------------------|------------------------|----------------------|------------------------------------|---|-----------------------------|
| 2019 | \$ 771,174,100 | \$ 149,313,600 | \$ 1,879,200 | \$ 922,366,900 | \$ 970,912,526 | 67.045 |
| 2018 | 740,142,000 | 151,192,700 | 1,889,700 | 893,224,400 | 940,236,211 | 71.141 |
| 2017 | 677,811,800 | 187,632,100 | 1,673,200 | 867,117,100 | 912,754,842 | 71.953 |
| 2016 | 646,911,200 | 186,475,400 | 1,681,000 | 835,067,600 | 879,018,526 | 73.966 |
| 2015 | 609,870,300 | 185,836,600 | 1,659,800 | 797,366,700 | 839,333,368 | 74.416 |
| 2014 | 583,378,600 | 187,325,600 | 1,612,500 | 772,316,700 | 812,964,947 | 74.518 |
| 2013 | 577,624,600 | 186,990,400 | 463,500 | 765,078,500 | 805,345,789 | 73.230 |
| 2012 | 575,631,700 | 185,032,700 | 456,100 | 761,120,500 | 801,179,474 | 70.708 |
| 2011 | 634,969,600 | 186,354,700 | 486,500 | 821,810,800 | 865,064,000 | 61.331 |
| 2010 | 746,354,700 | 185,406,100 | 453,800 | 932,214,600 | 981,278,526 | 55.481 |

Source: County Auditors Office

Note: ⁽¹⁾ According to the Minnesota Department of Revenue, the Assessor's Taxable Market Value for the City of Hutchinson is about 104% of the actual selling prices of property most recently sold in the City. Estimated actual taxable value is calculated by dividing assessed value by the percent (104%). Valuations are determined as of January 1st of the year preceding the tax collection year. Amounts are shown for the year in which taxes are payable. Assessed value is prior to Fiscal Disparity and Tax Increment District Adjustments.

City of Hutchinson, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year | City of Hutchinson | | | Overlapping Rates County | | |
|----------------|--------------------|-----------------|---------------|-----------------------------|-----------------|-----------------|
| | Operating | Debt Service | Total City | Operating | Debt Service | Total County |
| 2019 | 46.867 | 20.178 | 67.045 | 55.248 | 2.634 | 57.882 |
| 2018 | 49.139 | 22.002 | 71.141 | 54.253 | 1.881 | 56.134 |
| 2017 | 49.182 | 22.771 | 71.953 | 51.660 | 1.932 | 53.592 |
| 2016 | 50.112 | 23.854 | 73.966 | 51.002 | 1.952 | 52.954 |
| 2015 | 50.280 | 24.136 | 74.416 | 50.785 | 2.175 | 52.960 |
| 2014 | 51.137 | 23.381 | 74.518 | 55.418 | - | 55.418 |
| 2013 | 51.027 | 22.203 | 73.230 | 59.664 | - | 59.664 |
| 2012 | 49.236 | 21.472 | 70.708 | 60.901 | - | 60.901 |
| 2011 | 43.331 | 18.000 | 61.331 | 49.517 | 4.109 | 53.626 |
| 2010 | 39.491 | 15.990 | 55.481 | 52.247 | 3.973 | 56.220 |

Source: McLeod County Auditor and Treasurers Office

Table 7

| Overlapping Rates | | | | Total Direct Rates | Total Overlapping Rates | Total Direct and Overlapping Rates |
|-------------------|-----------------|-----------------|----------------------|--------------------------|-------------------------------|---|
| School District | | | | | | |
| Operating | Debt Service | Total School | Special Districts | | | |
| 8.685 | 14.870 | 23.555 | 3.581 | 67.045 | 85.018 | 152.063 |
| 8.206 | 17.005 | 25.211 | 3.608 | 71.141 | 84.953 | 156.094 |
| 8.037 | 17.452 | 25.489 | 3.609 | 71.953 | 82.690 | 154.643 |
| 9.600 | 17.772 | 27.372 | 3.659 | 73.966 | 83.985 | 157.951 |
| 8.641 | 6.332 | 14.973 | 3.634 | 74.416 | 71.567 | 145.983 |
| 8.033 | 6.966 | 14.999 | 3.678 | 74.518 | 74.095 | 148.613 |
| 9.040 | 7.767 | 16.807 | 3.651 | 73.230 | 80.122 | 153.352 |
| 8.855 | 7.612 | 16.467 | 3.477 | 70.708 | 80.845 | 151.553 |
| 8.638 | 7.014 | 15.652 | 3.022 | 61.331 | 72.300 | 133.631 |
| 6.896 | 6.714 | 13.610 | 2.832 | 55.481 | 72.662 | 128.143 |

City of Hutchinson, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

| Taxpayer | Type of Business | 2019 | | 2010 | | Percentage of Total Taxable Assessed Value | Percentage of Total Taxable Assessed Value |
|------------------------------------|--------------------|------------------------|------|------------------------|----------------------|--|--|
| | | Taxable Assessed Value | Rank | Taxable Assessed Value | Rank | | |
| 3M Company | Manufacturing | \$ 15,881,800 | 1 | 1.73 % | \$ 17,244,500 | 1 | 1.85 % |
| Uponor | Commercial/Retail | 7,893,100 | 2 | 0.86 | | | |
| Wal-Mart | Commercial/Retail | 7,750,200 | 3 | 0.84 | 8,846,800 | 3 | 0.95 |
| Menards, Inc | Commercial/Retail | 7,217,200 | 4 | 0.78 | 7,880,000 | 4 | 0.85 |
| City of Hutchinson | Retail Building | 6,021,200 | 5 | 0.65 | 4,869,200 | 6 | 0.52 |
| Deer Park Apartments | Manufacturing | 5,002,500 | 6 | 0.54 | | | |
| Target | Manufacturing | 4,739,500 | 7 | 0.51 | 6,624,300 | 5 | 0.71 |
| TDK Corporation | Apartment | 4,051,500 | 8 | 0.44 | 11,390,800 | 2 | 1.22 |
| Papania Investments | Commercial | 3,834,300 | 9 | 0.42 | 4,232,600 | 7 | 0.45 |
| Sterling Properties LLP | Commercial | 3,263,300 | 10 | 0.35 | | | |
| Coborn Realty Co / Cash Wise Foods | Commercial/Grocery | | | | 3,818,200 | 8 | 0.41 |
| Shopko | Commercial | | | | 3,414,700 | 9 | 0.37 |
| Silver Lake Capital Partners | Commercial/Retail | | | | 3,155,100 | 10 | 0.34 |
| Total | | <u>\$ 65,654,600</u> | | <u>7.12 %</u> | <u>\$ 71,476,200</u> | | <u>7.67 %</u> |

Source: McLeod County Auditors Office

City of Hutchinson, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

| Fiscal Year Ended December 31, | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2019 | \$7,310,005 | \$7,278,548 | 99.57 % | \$ - | \$7,278,548 | 99.57 % |
| 2018 | 7,113,466 | 7,088,464 | 99.65 | 13,773 | 7,102,237 | 99.84 |
| 2017 | 6,951,796 | 6,905,665 | 99.34 | 37,758 | 6,943,423 | 99.88 |
| 2016 | 6,769,035 | 6,720,677 | 99.29 | 44,450 | 6,765,127 | 99.94 |
| 2015 | 6,656,623 | 6,604,808 | 99.22 | 48,711 | 6,653,519 | 99.95 |
| 2014 | 6,552,963 | 6,493,765 | 99.10 | 57,845 | 6,551,610 | 99.98 |
| 2013 | 6,454,224 | 6,403,138 | 99.21 | 49,832 | 6,452,970 | 99.98 |
| 2012 | 6,454,224 | 6,396,926 | 99.11 | 56,631 | 6,453,557 | 99.99 |
| 2011 | 6,557,762 | 6,494,747 * | 99.04 | 62,684 | 6,557,431 | 99.99 |
| 2010 | 6,183,374 | 6,118,748 | 98.95 | 64,264 | 6,183,012 | 99.99 |

* 2011 includes \$315,993 of un-allotted market rate homestead credit.

Source: McLeod County Tax Settlements and City of Hutchinson Finance Department

City of Hutchinson, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | |
|-------------|--------------------------------|--|--------------------------------|------------------|
| | General Obligation Bonds | General Obligation Tax Increment Bonds | Special Assessment Bonds | Notes Payable |
| 2019 | \$ - | \$ - | \$ 19,857,912 | \$ 30,000 |
| 2018 | - | - | 19,515,584 | 60,000 |
| 2017 | - | - | 19,676,467 | 90,000 |
| 2016 | - | - | 19,003,047 | 120,000 |
| 2015 | - | - | 17,184,350 | 150,000 |
| 2014 | - | - | 18,322,782 | 180,000 |
| 2013 | - | - | 19,314,609 | 210,000 |
| 2012 | - | 220,000 | 19,822,859 | 330,000 |
| 2011 | - | 320,000 | 17,684,443 | 360,000 |
| 2010 | 145,000 | 420,000 | 19,869,428 | 390,000 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Outstanding General Obligation Revenue Bonds are a combination of Water and Sewer Bonds and Minnesota Public Facilities Authority (MPFA) Drinking Water Revolving Fund loans. The Funds from the MPFA are being used to build a new water treatment facility.
- (2) Outstanding Revenue Bonds reflect bonds issued by the City owned by Public Utilities
- (3) Business-type capital leases reflect equipment leased in Water, Sewer, Refuse and Compost funds, and the Public Utility Commission.
- (4) Includes refunded bonds of \$21,330,000
- (5) Includes refunded bonds of \$15,195,000

Table 10

| Business-type Activities | | | | | |
|--|---------------------------------|----------------------------------|--------------------------------|-------------------------------------|---------------|
| General Obligation Revenue Bonds ⁽¹⁾ | Revenue Bonds ⁽²⁾ | Capital Leases ⁽³⁾ | Total Primary Government | Percentage of Personal Income | Per Capita |
| \$ 21,369,536 | \$ 30,463,228 | \$ 568,643 | \$ 72,289,319 | 10.40 % | \$ 5,107 |
| 20,934,620 | 32,677,293 | 249,644 | 73,437,141 | 10.85 | 5,191 |
| 21,817,341 | 34,191,359 ⁽⁵⁾ | 384,487 | 76,159,654 | 12.01 | 5,382 |
| 24,240,591 | 18,845,615 | 133,865 | 62,343,118 | 9.82 | 4,411 |
| 26,637,841 | 20,316,224 | 209,287 | 64,497,702 | 10.47 | 4,552 |
| 29,301,371 | 21,903,551 | 314,301 | 70,022,005 | 11.91 | 4,958 |
| 33,469,371 | 23,269,326 | 415,298 | 76,678,604 | 13.46 | 5,416 |
| 35,451,371 | 44,837,671 ⁽⁴⁾ | 198,648 | 100,860,549 | 17.99 | 7,187 |
| 34,677,371 | 22,510,000 | 117,465 | 75,669,279 | 14.71 | 5,348 |
| 36,549,371 | 23,640,000 | - | 81,013,799 | 16.46 | 5,714 |

City of Hutchinson, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

| Fiscal Year | General ⁽¹⁾ Obligation Bonds | Less: Amounts Paid from Proprietary Revenue | Less: Amounts Available in Debt Service Fund | Total | Percentage of Total Taxable Assessed ⁽²⁾ Value of Property | Per Capita |
|----------------|---|--|---|-------|--|---------------|
| 2019 | \$ 21,369,536 | \$ 21,369,536 | \$ - | \$ - | 0.00 % | \$ - |
| 2018 | 20,934,620 | 20,934,620 | - | - | 0.00 | - |
| 2017 | 21,817,341 | 21,817,341 | - | - | 0.00 | - |
| 2016 | 24,240,591 | 24,240,591 | - | - | 0.00 | - |
| 2015 | 26,637,841 | 26,637,841 | - | - | 0.00 | - |
| 2014 | 29,301,371 | 29,301,371 | - | - | 0.00 | - |
| 2013 | 33,469,371 | 33,469,371 | - | - | 0.00 | - |
| 2012 | 35,451,371 | 35,451,371 | - | - | 0.00 | - |
| 2011 | 34,677,371 | 34,677,371 | 321,964 | - | 0.00 | - |
| 2010 | 36,694,371 | 36,549,371 | 318,980 | - | 0.00 | - |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ General Obligation bonds exclude Tax Increment Bonds, Special Assessment Bonds and Revenue Bonds issued by the City owned Public Utilities. The bonds included in this table are the G.O. Bonds and the G.O. Revenue Bonds from table 10.

⁽²⁾ See table 6 for property value data.

City of Hutchinson, Minnesota
 Computation of Direct and Overlapping Governmental Activities Debt
 December 31, 2019

Table 12

| Governmental Unit | Debt Outstanding ⁽¹⁾ | Estimated Percentage Applicable ⁽²⁾ | Estimated Share of Overlapping Debt |
|-----------------------------------|------------------------------------|--|--|
| Direct Debt | | | |
| City of Hutchinson | <u>\$ 19,887,912</u> | 100.00 % | <u>\$19,887,912</u> |
| Overlapping Debt | | | |
| McLeod County | 22,469,445 | 28.24 | 6,345,439 |
| Independent School Dist. 423 | <u>50,615,000</u> | 64.69 | <u>32,744,476</u> |
| Total Overlapping Debt | <u>73,084,445</u> | | <u>39,089,915</u> |
| Total Direct and Overlapping Debt | <u><u>\$ 92,972,357</u></u> | | <u><u>\$ 58,977,827</u></u> |

Sources : ⁽¹⁾ Outstanding debt data provided by the City, McLeod County Auditors Office and ISD #423.

⁽²⁾ Estimated percentages come from the Local Taxable Tax Capacity numbers supplied annually by the McLeod County Auditors Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. 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 Hutchinson. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt 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.

2016 - Debt Outstanding for School District increased due to general obligation bonds that were issued during 2016 to renovate and add on to the high school.

City of Hutchinson, Minnesota
 Legal Debt Margin Information
 Last Ten Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Value (See Table 6) | \$ 922,366,900 | \$ 893,224,400 | \$ 867,117,100 | \$ 835,067,600 | \$ 797,366,700 |
| Legal Debt Limit Debt limit (3% of assessed value) | 27,671,007 | 26,796,732 | 26,013,513 | 25,052,028 | 23,921,001 |
| Debt Applicable to Limit: (See Table 10) | | | | | |
| General Obligation Bonds | - | - | - | - | - |
| Less: Amount reserved for repayment of general obligation debt | - | - | - | - | - |
| Total Net Debt Applicable to Limit | - | - | - | - | - |
| Legal Debt Margin | <u>\$ 27,671,007</u> | <u>\$ 26,796,732</u> | <u>\$ 26,013,513</u> | <u>\$ 25,052,028</u> | <u>\$ 23,921,001</u> |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Source: Assessed values are provided by McLeod County Auditor's Office.

Note: Minn. Stat. Section 475.53, subd. 1 states that except as otherwise provided in Minn. Stat. Sections 474.74 to 475.51, no municipality except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the estimated market value.

Table 13

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 772,316,700 | \$ 765,078,500 | \$ 761,120,500 | \$ 821,810,800 | \$ 932,214,600 |
| 23,169,501 | 22,952,355 | 22,833,615 | 24,654,324 | 27,966,438 |
| - | - | - | - | 145,000 |
| - | - | - | (321,964) | (318,980) |
| - | - | - | - | - |
| <u>\$ 23,169,501</u> | <u>\$ 22,952,355</u> | <u>\$ 22,833,615</u> | <u>\$ 24,654,324</u> | <u>\$ 27,966,438</u> |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

City of Hutchinson, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

| Year | Utility Revenue Bonds ⁽¹⁾ | | | | | |
|------|--------------------------------------|-----------------------------------|--|---------------------------|--------------|----------|
| | Operating Revenues | Operating Expenses ⁽²⁾ | Net Revenue Available for Debt Service | Debt Service Requirements | | Coverage |
| | | | | Principal | Interest | |
| 2019 | \$ 46,727,885 | \$ 41,989,301 | \$ 4,738,584 | \$ 4,680,776 | \$ 1,808,777 | 0.73 |
| 2018 | 47,793,436 | 42,208,203 | 5,585,233 | 3,892,843 | 1,891,142 | 0.97 |
| 2017 | 46,345,385 | 42,834,203 | 3,511,182 | 4,372,655 | 1,600,041 | 0.59 |
| 2016 | 44,808,639 | 41,281,522 | 3,527,117 | 3,731,422 | 1,544,312 | 0.67 |
| 2015 | 44,645,425 | 41,306,845 | 3,338,580 | 3,549,014 | 1,668,286 | 0.64 |
| 2014 | 48,405,216 | 44,148,102 | 4,257,114 | 3,313,997 | 1,839,412 | 0.83 |
| 2013 | 46,072,120 | 41,713,462 | 4,358,658 | 5,029,891 | 2,478,505 | 0.58 |
| 2012 | 45,289,317 | 40,652,102 | 4,637,215 | 4,059,048 | 2,431,400 | 0.71 |
| 2011 | 48,605,386 | 42,437,474 | 6,167,912 | 3,925,667 | 2,227,551 | 1.00 |
| 2010 | 48,193,329 | 42,385,093 | 5,808,236 | 3,603,925 | 2,313,163 | 0.98 |

Source: City of Hutchinson Financial Records

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Utility Revenue Bonds include Water, Sewer, Storm Water, Public Utilities Commission funds (excludes the Municipal Liquor Store, Composting and Refuse funds which have no outstanding debt service requirements)

⁽²⁾ Total operating expenses exclusive of depreciation

⁽³⁾ Debt service requirements for special assessment bonds issued comes from a combination of tax collections, which includes tax credits from the State and special assessment collections.

Table 14

| G.O. Bonds | | | | Special Assessment Bonds | | | |
|-----------------|---------------------------|-----------|----------|---|---------------------------|------------|----------|
| Tax Collections | Debt Service Requirements | | Coverage | Special Assessment and Tax Collections ⁽³⁾ | Debt Service Requirements | | Coverage |
| | Principal | Interest | | | Principal | Interest | |
| \$ 336,420 | \$ 325,000 | \$ 13,650 | 0.99 | \$ 2,767,674 | \$ 2,080,000 | \$ 463,555 | 1.09 |
| 358,995 | 600,000 | 23,138 | 0.58 | 2,601,776 | 1,940,000 | 434,862 | 1.10 |
| - | - | - | - | 2,151,946 | 1,805,000 | 416,431 | 0.97 |
| - | - | - | - | 3,379,975 | 2,120,000 | 415,406 | 1.33 |
| - | - | - | - | 2,991,334 | 2,070,000 | 429,706 | 1.20 |
| - | - | - | - | 3,105,874 | 2,315,000 | 494,045 | 1.11 |
| - | - | - | - | 2,944,900 | 2,395,000 | 517,024 | 1.01 |
| - | - | - | - | 2,913,300 | 2,740,000 | 554,790 | 0.88 |
| - | - | - | - | 2,421,259 | 2,450,000 | 569,083 | 0.80 |
| - | - | - | - | 3,119,919 | 2,460,000 | 590,800 | 1.02 |

City of Hutchinson, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

| Fiscal Year | Population ⁽¹⁾ | Personal ⁽²⁾ Income | Per Capita Personal Income | School ⁽³⁾ Enrollment (K-12) | Unemployment Rate ⁽⁴⁾ | State Unemployment Rate ⁽⁴⁾ | National Unemployment Rate ⁽⁴⁾ |
|----------------|---------------------------|-----------------------------------|-------------------------------|--|-------------------------------------|--|---|
| 2019 | 14,155 | \$ 695,110,825 ⁽⁵⁾ | \$ 49,107 | 2,916 | 3.8 % | 3.2 % | 3.7 % |
| 2018 | 14,147 | 676,997,265 | 47,854 | 2,944 | 3.1 | 2.9 | 3.9 |
| 2017 | 14,151 | 634,148,809 | 44,813 | 2,958 | 3.7 | 3.4 | 4.4 |
| 2016 | 14,135 | 634,658,573 | 44,900 | 2,968 | 4.4 | 3.9 | 4.9 |
| 2015 | 14,170 | 616,173,372 | 43,484 | 2,957 | 3.9 | 3.7 | 5.3 |
| 2014 | 14,124 | 587,806,085 | 41,618 | 2,959 | 5.0 | 4.2 | 6.2 |
| 2013 | 14,158 | 569,746,963 | 40,242 | 3,055 | 6.1 | 5.0 | 7.4 |
| 2012 | 14,034 | 560,652,795 | 39,950 | 3,007 | 7.3 | 5.6 | 8.1 |
| 2011 | 14,148 | 514,408,651 | 36,359 | 3,064 | 8.6 | 6.5 | 8.9 |
| 2010 | 14,178 | 492,056,152 | 34,706 | 2,894 | 9.9 | 7.4 | 9.6 |

Data Sources: ⁽¹⁾ United States Census Bureau or Minnesota State Demographer.

⁽²⁾ Personal Income is estimated based on McLeod County numbers, McLeod County population and City of Hutchinson Population.

⁽³⁾ Minnesota Department of Education.

⁽⁴⁾ Minnesota Department of Employment and Economic Development (DEED); average annual rates

⁽⁵⁾ 2018 data is not available at time of publish; these are estimated totals

City of Hutchinson, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 16

| Employer | 2019 ⁽¹⁾ | | | 2010 ⁽²⁾ | | |
|--------------------------------|--------------------------|------|--|--------------------------|------|--|
| | Employees ⁽⁴⁾ | Rank | Percentage of Total County Employment ⁽⁴⁾ | Employees ⁽³⁾ | Rank | Percentage of Total County Employment ⁽⁴⁾ |
| 3M Corporation | 1,585 | 1 | 8.41 % | 1,700 | 1 | 9.27 % |
| Hutchinson Area Health Care | 618 | 2 | 3.28 | 698 | 3 | 3.80 |
| Hutchinson Schools - ISD 423 | 570 | 3 | 3.02 | 452 | 4 | 2.46 |
| TDK Corporation (formerly HTI) | 378 | 4 | 2.01 | 1,245 | 2 | 6.79 |
| Wal-Mart | 280 | 5 | 1.49 | 400 | 5 | 2.18 |
| Cash Wise Foods | 197 | 6 | 1.05 | 180 | 7 | 0.98 |
| City of Hutchinson | 173 | 7 | 0.92 | 193 | 6 | 1.05 |
| Menards | 155 | 8 | 0.82 | 119 | 10 | 0.65 |
| National Guard Recruiting | 140 | 9 | 0.74 | - | | - |
| Target | 115 | 10 | 0.61 | - | | - |
| Aveyron Homes, Inc. | - | | - | 130 | 9 | 0.71 |
| Hutchinson Medical Center | - | | - | 153 | 8 | 0.83 |
| Total | 4,211 | | 22.35 % | 5,270 | | 28.72 % |

Sources: ⁽¹⁾ 2018 Offering Statement on Municipal Bonds sold.

⁽²⁾ 2009 Offering Statement on Municipal Bonds sold.

⁽³⁾ Includes full-time, part-time and seasonal employees.

⁽⁴⁾ Percentages are compiled based on Total County employment and come from the Minnesota Department of Employment and Economic Development.

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City of Hutchinson, Minnesota
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 17

| Function/Program | Full-time Equivalent Employees as of December 31 | | | | | | | | | |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| General Government | | | | | | | | | | |
| Mayor and City Council ⁽¹⁾ | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Administration | 3.24 | 3.24 | 3.25 | 3.17 | 3.45 | 3.08 | 3.53 | 3.46 | 3.71 | 3.52 |
| Finance | 2.99 | 2.99 | 2.93 | 2.98 | 3.21 | 2.82 | 3.16 | 3.29 | 3.10 | 4.10 |
| Attorney | 1.49 | 1.52 | 1.50 | 1.50 | 1.22 | 1.22 | 1.19 | 1.26 | 1.32 | 1.30 |
| Planning and zoning | 1.20 | 1.17 | 1.30 | 1.22 | 1.29 | 1.31 | 1.47 | 1.80 | 1.83 | 1.46 |
| Information services | 2.68 | 2.77 | 3.00 | 3.00 | 3.16 | 3.16 | 3.79 | 3.64 | 2.71 | 3.08 |
| Motor vehicle | 3.97 | 3.82 | 3.72 | 3.28 | 2.97 | 3.16 | 3.18 | 3.15 | 3.08 | 3.26 |
| Building maintenance | 1.00 | 1.00 | 1.19 | 0.69 | 0.46 | 0.71 | 0.78 | 0.99 | 0.97 | 1.16 |
| Cemetery | 1.10 | 1.02 | 1.33 | 0.96 | 1.16 | 1.11 | 1.11 | 1.48 | 1.84 | 1.95 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 23.26 | 22.79 | 21.91 | 21.63 | 21.74 | 21.87 | 22.04 | 23.03 | 21.13 | 22.42 |
| Civilians | 15.33 | 17.34 | 16.53 | 15.59 | 15.73 | 13.19 | 9.86 | 9.36 | 9.22 | 11.80 |
| Fire | | | | | | | | | | |
| Firefighters and officers ⁽²⁾ | 5.31 | 4.62 | 4.98 | 4.98 | 4.20 | 4.46 | 3.23 | 3.34 | 3.57 | 4.02 |
| Building inspection | 3.91 | 3.30 | 2.97 | 2.50 | 2.26 | 2.07 | 2.06 | 1.61 | 1.58 | 2.25 |
| Streets and Highways | | | | | | | | | | |
| Engineering | 3.71 | 3.73 | 3.82 | 3.77 | 3.94 | 4.30 | 5.31 | 5.33 | 5.21 | 4.78 |
| Maintenance | 7.77 | 7.87 | 7.20 | 7.05 | 7.41 | 8.18 | 7.15 | 7.44 | 8.04 | 8.45 |
| Culture and Recreation | | | | | | | | | | |
| Parks ⁽³⁾ | 31.16 | 33.45 | 34.84 | 23.48 | 25.30 | 24.04 | 24.43 | 24.07 | 23.33 | 24.79 |
| Library | - | - | - | - | 0.13 | 0.20 | 0.21 | 0.35 | 0.34 | 0.32 |
| Housing and Economic Development | | | | | | | | | | |
| Transportation | 1.36 | 1.67 | 1.42 | 1.53 | 1.55 | 1.79 | 1.92 | 1.75 | 1.83 | 1.92 |
| Airport and bus drivers | 0.56 | 0.50 | 0.20 | 0.34 | 0.26 | 0.31 | 0.25 | 0.28 | 0.35 | 0.30 |
| Liquor | 12.32 | 12.72 | 12.52 | 11.55 | 11.30 | 10.97 | 10.35 | 10.67 | 9.89 | 10.32 |
| Water | 5.82 | 5.90 | 6.03 | 7.65 | 6.11 | 5.34 | 5.37 | 5.44 | 5.46 | 5.70 |
| Sewer | 8.44 | 8.50 | 7.50 | 6.64 | 7.39 | 7.94 | 7.55 | 8.00 | 7.91 | 8.12 |
| Refuse | 2.44 | 2.51 | 2.49 | 1.58 | 2.07 | 2.46 | 2.66 | 2.83 | 2.86 | 3.17 |
| Storm Water | 2.96 | 2.34 | 2.76 | 2.71 | 1.87 | 1.59 | 1.53 | 1.68 | 1.70 | 1.97 |
| Composting | 6.59 | 6.06 | 5.99 | 5.57 | 6.14 | 7.67 | 7.91 | 8.36 | 8.51 | 8.36 |
| Natural Gas | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Electric | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 |
| Total | <u>198.61</u> | <u>200.83</u> | <u>199.38</u> | <u>183.37</u> | <u>184.32</u> | <u>182.95</u> | <u>180.04</u> | <u>182.61</u> | <u>179.49</u> | <u>188.52</u> |

Source: City of Hutchinson Budget Books, Hutchinson Area Health Care and Public Utilities Commission

⁽¹⁾ The City of Hutchinson is comprised of one mayor and four council members. These numbers do not reflect full-time equivalent hours based on actual yearly full-time hours worked.

⁽²⁾ Paid-on-call volunteer firefighters are reflected in full-time equivalent hours on a yearly basis.

⁽³⁾ Seasonal employees were added in 2017 for the new aquatic center operations.

City of Hutchinson, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General Government | | | | | |
| Permits issued | 1,038 | 1,424 | 2,291 | 1,089 | 1,108 |
| Building inspections | 3,685 | 2,737 | 3,029 | 1,415 | 1,850 |
| Public Safety | | | | | |
| Police | | | | | |
| Incidents (calls for service) ⁽¹⁾ | 20,042 | 20,116 | 18,913 | 17,152 | 15,589 |
| Case reports | - | - | - | - | - |
| Arrests ⁽¹⁾ | 458 | 481 | 422 | 372 | 371 |
| Citations ⁽¹⁾ | 892 | 845 | 757 | 802 | 484 |
| Fire | | | | | |
| Number of calls answered | 463 | 492 | 532 | 505 | 466 |
| Code inspections | 254 | 306 | 233 | 218 | 74 |
| Training hours | 3,403 | 2,793 | 3,078 | 3,018 | 3,038 |
| Highways and Streets | | | | | |
| Street reconstruction (miles) | 1.59 | 1.35 | 1.29 | 1.63 | 1.18 |
| Street resurfacing (miles) | 3.79 | 6.09 | 0.24 | 8.25 | 0.55 |
| Patching material used (tons) | 345 | 148 | 123 | 183 | 348 |
| Sanitation | | | | | |
| Raw incoming (tons) | | | | | |
| Source separated organics | 1,494 | 1,597 | 1,677 | 1,785 | 2,150 |
| Leaves, grass, and other wastes | 7,148 | 8,292 | 7,648 | 8,227 | 8,149 |
| Culture and Recreation | | | | | |
| Athletic field maintenance hours | 3,271 | 3,281 | 2,994 | 2,811 | 2,664 |
| Ice time sold | 2,134 | 2,180 | 2,120 | 2,222 | 2,121 |
| Pool admissions ⁽²⁾ | 41,470 | 48,623 | 54,937 | - | 10,487 |
| Shelters reserved | 524 | 440 | 439 | 522 | 465 |
| Water | | | | | |
| Average daily consumption (in gallons) | 1,356,900 | 1,347,500 | 1,430,400 | 1,418,500 | 1,476,445 |
| Wastewater | | | | | |
| Average daily sewage treatment MGD (million gallons/day) | 2.65 | 2.28 | 2.43 | 2.54 | 2.00 |
| Public Utilities | | | | | |
| Kilowatt hours (KWH) generated | 22,900,000 | 34,524,000 | 28,605,000 | 35,823,000 | 22,411,000 |
| Natural gas purchased and generated (MCF) | 1,925,515 | 1,937,455 | 1,854,437 | 1,817,631 | 1,714,534 |
| Liquor | | | | | |
| Liquor store sales volume (\$) | \$6,369,376 | \$6,242,500 | \$6,148,149 | \$5,986,472 | \$5,850,584 |

Sources: Various City departments, Public Utilities Commission and Hutchinson Area Health Care

⁽¹⁾ Due to new computer system installation in May 2012 numbers are estimates by Hutchinson Public Safety based on a monthly average. Case reports are no longer reported separately as they are included in total incidents.

⁽²⁾ The outdoor pool was closed in 2016 and a new outdoor aquatic center opened in 2017.

Table 18

| Fiscal Year | | | | |
|--------------|--------------|--------------|--------------|--------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| 1,080 | 1,133 | 946 | 905 | 792 |
| 1,222 | 1,716 | 1,508 | 1,381 | 1,727 |
| 17,119 | 16,812 | 19,000 * | 17,849 | 17,844 |
| - | - | - | 2,155 | 2,174 |
| 380 | 369 | 670 * | 510 | 572 |
| 1,179 | 1,185 | 874 * | 1,003 | 1,811 |
| 465 | 388 | 439 | 475 | 436 |
| 660 | 869 | 917 | 744 | 1,009 |
| 3,636 | 3,327 | 3,120 | 2,703 | 2,760 |
| 1.55 | 0.72 | 1.60 | 1.72 | 1.49 |
| 8.56 | 2.10 | 9.20 | 0.72 | 0.00 |
| 136 | 103 | 135 | 85 | 82 |
| 2,728 | 2,137 | 2,109 | 2,362 | 2,751 |
| 14,158 | 14,623 | 13,152 | 10,122 | 8,576 |
| 2,698 | 2,898 | 2,674 | 2,682 | 2,359 |
| 1,793 | 2,089 | 2,188 | 1,980 | 2,120 |
| 11,415 | 12,564 | 12,689 | 12,436 | 11,398 |
| 364 | 380 | 317 | 250 | 293 |
| 1,458,000 | 1,493,000 | 1,533,000 | 1,550,000 | 1,643,000 |
| 2.25 | 1.97 | 2.08 | 2.63 | 2.60 |
| 28,819,000 | 35,619,000 | 25,473,000 | 13,311,000 | 11,764,000 |
| 2,058,642 | 2,014,780 | 1,692,502 | 1,702,324 | 1,772,156 |
| \$ 5,612,423 | \$ 5,384,444 | \$ 5,325,305 | \$ 5,099,785 | \$ 5,042,670 |

City of Hutchinson, Minnesota
 Capital Asset and Infrastructure Statistics by Function
 Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|-----------------------------------|-------------|-------|-------|------|-------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General Government | | | | | |
| City center | 1 | 1 | 1 | 1 | 1 |
| Public Safety | | | | | |
| Police: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 12 | 12 | 12 | 11 | 11 |
| Fire: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 9 | 9 | 8 | 9 | 9 |
| Highways and Streets | | | | | |
| Miles of street | 77.5 | 77.0 | 77.0 | 77.0 | 76.0 |
| Bridges | 6 | 6 | 6 | 6 | 6 |
| Parks and Recreation | | | | | |
| Parks | 41 | 41 | 37 | 37 | 37 |
| Area in acres | 401 | 401 | 401 | 401 | 401 |
| Indoor ice arena | 2 | 2 | 2 | 2 | 2 |
| Recreation center (includes pool) | 1 | 1 | 1 | 1 | 1 |
| Event center | 1 | 1 | 1 | 1 | 1 |
| Compost/Refuse | | | | | |
| Compost buildings | 2 | 2 | 2 | 2 | 2 |
| Liquor | | | | | |
| Liquor store building | 1 | 1 | 1 | 1 | 1 |
| Utilities | | | | | |
| Municipal water | | | | | |
| Water treatment plant | 1 | 1 | 1 | 1 | 1 |
| Water towers | 3 | 3 | 3 | 3 | 3 |
| Miles of water main | 100.0 | 100.0 | 100.0 | 99.0 | 109.0 |
| Municipal sanitary sewer | | | | | |
| Wastewater treatment buildings | 8 | 8 | 8 | 8 | 8 |
| Miles of sanitary sewer | 91.0 | 91.0 | 91.0 | 91.0 | 95.0 |
| Number of lift stations | 15 | 15 | 15 | 13 | 13 |
| Storm sewer | | | | | |
| Holding ponds and lakes | 53 | 53 | 53 | 53 | 53 |
| Electric division | | | | | |
| Miles of transmission lines | 17.0 | 17.0 | 17.0 | 17.0 | 17.1 |
| Number of substations | 6 | 6 | 6 | 6 | 6 |
| Natural gas division | | | | | |
| Miles of gas lines | 294 | 294 | 292 | 292 | 292 |

Source: Various City departments and capital asset system

Table 19

| Fiscal Year | | | | |
|-------------|-------|-------|-------|-------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 11 | 11 | 11 | 11 | 7 |
| 1 | 1 | 1 | 1 | 1 |
| 9 | 9 | 9 | 9 | 9 |
| 76.0 | 76.0 | 76.2 | 76.4 | 75.9 |
| 6 | 6 | 6 | 6 | 6 |
| 37 | 37 | 37 | 37 | 37 |
| 401 | 401 | 401 | 401 | 401 |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 |
| 106.0 | 106.0 | 105.2 | 104.4 | 103.7 |
| 8 | 8 | 8 | 8 | 8 |
| 95.0 | 95.0 | 95.1 | 94.6 | 93.8 |
| 13 | 13 | 13 | 13 | 13 |
| 50 | 49 | 49 | 49 | 47 |
| 17.1 | 17.0 | 17.1 | 17.1 | 17.1 |
| 6 | 6 | 4 | 4 | 4 |
| 290 | 290 | 288 | 288 | 297 |

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City of Hutchinson, Minnesota
 Combined Schedule of Bonds Payable
 December 31, 2019

Table 20

| <u>Year Issued</u> | <u>Original Amount</u> | <u>Retired</u> | <u>Bonds Outstanding</u> | <u>Coupon Rates</u> |
|--|------------------------|----------------------|--------------------------|---------------------|
| GENERAL OBLIGATION SPECIAL ASSESSMENT BONDS | | | | |
| 2009D | \$ 2,255,000 | \$ 1,555,000 | \$ 700,000 | 2.00 - 3.63 % |
| 2010C | 4,595,000 | 4,065,000 | 530,000 | 3.00 - 3.13 |
| 2011A | 2,830,000 | 1,495,000 | 1,335,000 | 0.50 - 3.25 |
| 2012B | 2,095,000 | 1,790,000 | 305,000 | 3.00 |
| 2012C | 2,275,000 | 1,005,000 | 1,270,000 | 2.00 - 2.50 |
| 2013A | 2,230,000 | 800,000 | 1,430,000 | 2.00 - 3.50 |
| 2014A | 3,415,000 | 1,335,000 | 2,080,000 | 2.00 - 3.00 |
| 2015A | 2,140,000 | 400,000 | 1,740,000 | 2.85 - 3.00 |
| 2016A | 3,880,000 | 1,250,000 | 2,630,000 | 2.00 |
| 2017A | 2,445,000 | 230,000 | 2,215,000 | 2.00 - 3.00 |
| 2018A | 2,395,000 | - | 2,395,000 | 3.00 - 4.00 |
| 2019A | 2,675,000 | - | 2,675,000 | 2.00 - 3.00 |
| Totals | <u>\$ 33,230,000</u> | <u>\$ 13,925,000</u> | <u>\$ 19,305,000</u> | |
| GENERAL OBLIGATION REVENUE BONDS | | | | |
| 2005 PFA | \$ 5,696,371 | \$ 3,926,001 | \$ 1,770,370 | 2.53 |
| 2006 PFA | 12,216,000 | 7,599,000 | 4,617,000 | 2.63 |
| 2007 PFA | 13,696,602 | 7,623,602 | 6,073,000 | 2.15 |
| 2009A | 2,025,000 | 600,000 | 1,425,000 | 3.25 - 4.20 |
| 2009B | 1,735,000 | - | 1,735,000 | 4.05 - 4.40 |
| 2012B | 2,700,000 | 1,595,000 | 1,105,000 | 3.00 |
| 2014A | 590,000 | 590,000 | - | 2.00 - 3.00 |
| 2018A | 1,550,000 | - | 1,550,000 | 3.00 - 4.00 |
| 2019A | 2,790,000 | - | 2,790,000 | 2.00 - 3.00 |
| Totals | <u>\$ 42,998,973</u> | <u>\$ 21,933,603</u> | <u>\$ 21,065,370</u> | |
| ELECTRIC UTILITIES REVENUE BONDS | | | | |
| 2012A | \$ 20,720,000 | \$ 8,190,000 | \$ 12,530,000 | 4.00 - 5.00 |
| 2017B | 16,675,000 | 625,000 | 16,050,000 | 3.00 - 4.00 |
| Totals | <u>\$ 37,395,000</u> | <u>\$ 8,815,000</u> | <u>\$ 28,580,000</u> | |

City of Hutchinson, Minnesota
Public Utilities Commission
Operating Expenses by Function
Last Ten Fiscal Years

| <u>Electric Division</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Production | \$ 3,776,245 | \$ 3,883,945 | \$ 3,071,804 | \$ 3,387,289 | \$ 3,066,764 |
| Purchase Power/Gas | 14,037,852 | 15,162,365 | 14,634,350 | 13,889,577 | 15,068,183 |
| Transmission | 3,064,741 | 2,652,119 | 2,707,438 | 2,376,359 | 1,953,324 |
| Distribution | 1,368,188 | 1,321,212 | 893,411 | 969,907 | 894,143 |
| Customer Accounts | 240,775 | 223,038 | 275,042 | 246,627 | 229,470 |
| Administrative | 1,597,928 | 1,592,817 | 2,684,081 | 2,816,972 | 2,610,006 |
| Depreciation and Depletion | <u>2,728,998</u> | <u>2,770,697</u> | <u>2,830,636</u> | <u>2,820,446</u> | <u>2,816,301</u> |
| Total Electric | <u><u>\$ 26,814,727</u></u> | <u><u>\$ 27,606,193</u></u> | <u><u>\$ 27,096,762</u></u> | <u><u>\$ 26,507,177</u></u> | <u><u>\$ 26,638,191</u></u> |
| <u>Natural Gas Division</u> | | | | | |
| Transmission | \$ 183,311 | \$ 148,891 | \$ 127,459 | \$ 119,454 | \$ 119,452 |
| Purchased Gas | 5,961,040 | 6,084,090 | 6,883,154 | 5,697,867 | 5,988,821 |
| Distribution | 979,913 | 838,259 | 624,192 | 580,503 | 638,944 |
| Customer Accounts | 184,860 | 192,484 | 205,154 | 201,785 | 187,748 |
| Administrative | 965,449 | 656,350 | 896,901 | 1,036,110 | 984,438 |
| Depreciation and Depletion | <u>1,078,481</u> | <u>1,033,788</u> | <u>1,022,038</u> | <u>1,001,952</u> | <u>1,008,133</u> |
| Total Natural Gas | <u><u>\$ 9,353,054</u></u> | <u><u>\$ 8,953,862</u></u> | <u><u>\$ 9,758,898</u></u> | <u><u>\$ 8,637,671</u></u> | <u><u>\$ 8,927,536</u></u> |

Table 21

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 3,602,519 | \$ 3,944,441 | \$ 3,414,293 | \$ 3,083,489 | \$ 3,126,884 |
| 14,187,971 | 13,769,831 | 15,179,773 | 15,774,955 | 14,988,258 |
| 1,684,538 | 1,493,351 | 1,172,259 | 142,324 | 157,204 |
| 863,097 | 882,745 | 833,847 | 752,862 | 673,363 |
| 190,638 | 191,713 | 166,748 | 253,198 | 269,202 |
| 2,709,414 | 2,680,919 | 2,591,948 | 2,605,654 | 2,549,037 |
| <u>2,744,769</u> | <u>2,612,388</u> | <u>2,289,200</u> | <u>2,284,770</u> | <u>2,257,016</u> |
| <u><u>\$ 25,982,946</u></u> | <u><u>\$ 25,575,388</u></u> | <u><u>\$ 25,648,068</u></u> | <u><u>\$ 24,897,252</u></u> | <u><u>\$ 24,020,964</u></u> |
| | | | | |
| \$ 130,519 | \$ 118,379 | \$ 117,642 | \$ 98,462 | \$ 100,368 |
| 10,460,268 | 7,433,522 | 6,400,838 | 9,028,704 | 9,806,771 |
| 614,544 | 590,116 | 618,559 | 590,717 | 568,170 |
| 155,976 | 156,843 | 136,431 | 168,798 | 179,470 |
| 1,032,731 | 1,035,498 | 1,012,840 | 829,667 | 832,122 |
| <u>1,002,804</u> | <u>1,027,662</u> | <u>1,043,233</u> | <u>1,042,071</u> | <u>1,037,707</u> |
| <u><u>\$ 13,396,842</u></u> | <u><u>\$ 10,362,020</u></u> | <u><u>\$ 9,329,543</u></u> | <u><u>\$ 11,758,419</u></u> | <u><u>\$ 12,524,608</u></u> |

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division
Last Ten Fiscal Years

Table 22

| <u>Type of Service</u> | <u>MCF</u> | <u>Amount Billed</u> | <u>Revenue Per MCF</u> | <u>Percent of MCF to Total MCF</u> | <u>Percent of Revenue to Total Revenue</u> | <u>Number of Meters</u> |
|------------------------|------------|----------------------|------------------------|------------------------------------|--|-------------------------|
| <u>2019</u> | | | | | | |
| Residential | 458,153 | \$3,981,709 | 8.69078 | 27.6 % | 37.4 % | - |
| Commercial | 372,139 | 2,974,834 | 7.99388 | 22.4 | 28.0 | - |
| Large Industrial | 827,804 | 3,679,890 | 4.44536 | 50.0 | 34.6 | - |
| Total Sales | 1,658,096 | 10,636,433 | 6.41485 | 100.0 | 100.0 | - |
| <u>2018</u> | | | | | | |
| Residential | 446,224 | \$4,139,639 | 9.27704 | 27.7 | 37.9 | 5,127 |
| Commercial | 349,806 | 3,070,904 | 8.77888 | 21.7 | 28.2 | 570 |
| Large Industrial | 817,621 | 3,696,099 | 4.52055 | 50.6 | 33.9 | 5 |
| Total Sales | 1,613,651 | 10,906,642 | 6.75898 | 100.0 | 100.0 | 5,702 |
| <u>2017</u> | | | | | | |
| Residential | 396,762 | \$3,937,048 | 9.92295 | 25.8 | 37.1 | 5,086 |
| Commercial | 325,984 | 3,019,230 | 9.26190 | 21.2 | 28.5 | 564 |
| Large Industrial | 817,723 | 3,653,263 | 4.46760 | 53.0 | 34.4 | 3 |
| Total Sales | 1,540,469 | 10,609,541 | 6.88721 | 100.0 | 100.0 | 5,653 |
| <u>2016</u> | | | | | | |
| Residential | 382,184 | 3,839,034 | 10.04499 | 26.7 | 38.8 | 5,051 |
| Commercial | 292,212 | 2,824,329 | 9.66534 | 20.4 | 28.6 | 551 |
| Large Industrial | 754,604 | 3,215,714 | 4.26146 | 52.9 | 32.6 | 3 |
| Total Sales | 1,429,000 | 9,879,077 | 6.91328 | 100.0 | 100.0 | 5,605 |
| <u>2015</u> | | | | | | |
| Residential | 387,205 | 3,731,066 | 9.63589 | 26.7 | 37.6 | 5,032 |
| Commercial | 295,186 | 2,748,161 | 9.30993 | 20.3 | 27.7 | 552 |
| Large Industrial | 770,455 | 3,444,273 | 4.47044 | 53.0 | 34.7 | 5 |
| Total Sales | 1,452,846 | 9,923,500 | 6.83039 | 100.0 | 100.0 | 5,589 |

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division (Continued)
Last Ten Fiscal Years

Table 22

| <u>Type of Service</u> | <u>MCF</u> | <u>Amount Billed</u> | <u>Revenue Per MCF</u> | <u>Percent of MCF to Total MCF</u> | <u>Percent of Revenue to Total Revenue</u> | <u>Number of Meters</u> |
|------------------------|------------------|----------------------|----------------------------|--|--|-----------------------------|
| <u>2014</u> | | | | | | |
| Residential | 475,387 | 4,706,388 | \$ 9.90012 | 28.2 % | 32.2 % | 4,992 |
| Commercial | 401,726 | 3,853,504 | 9.59237 | 23.9 | 26.3 | 550 |
| Large Industrial | <u>805,780</u> | <u>6,066,290</u> | <u>7.52847</u> | <u>47.9</u> | <u>41.5</u> | <u>4</u> |
| Total Sales | <u>1,682,893</u> | <u>14,626,182</u> | <u>8.69109</u> | <u>100.0</u> | <u>100.0</u> | <u>5,546</u> |
| <u>2013</u> | | | | | | |
| Residential | 470,678 | 4,626,722 | 9.82991 | 28.7 | 38.5 | 4,941 |
| Commercial | 392,469 | 3,729,790 | 9.50340 | 24.0 | 31.1 | 526 |
| Large Industrial | <u>774,035</u> | <u>3,646,509</u> | <u>4.71104</u> | <u>47.3</u> | <u>30.4</u> | <u>3</u> |
| Total Sales | <u>1,637,182</u> | <u>12,003,021</u> | <u>7.33151</u> | <u>100.0</u> | <u>100.0</u> | <u>5,470</u> |
| <u>2012</u> | | | | | | |
| Residential | 364,652 | 3,697,538 | 10.13991 | 25.7 | 38.2 | 4,941 |
| Commercial | 325,027 | 3,150,925 | 9.69435 | 22.9 | 32.6 | 526 |
| Large Industrial | <u>731,565</u> | <u>2,826,424</u> | <u>3.86353</u> | <u>51.4</u> | <u>29.2</u> | <u>3</u> |
| Total Sales | <u>1,421,244</u> | <u>9,674,887</u> | <u>6.80734</u> | <u>100.0</u> | <u>100.0</u> | <u>5,470</u> |
| <u>2011</u> | | | | | | |
| Residential | 434,536 | 4,327,788 | 9.95956 | 26.2 | 34.9 | 4,922 |
| Commercial | 399,781 | 3,823,162 | 9.56314 | 24.1 | 30.8 | 530 |
| Large Industrial | <u>821,329</u> | <u>4,246,780</u> | <u>5.17062</u> | <u>49.7</u> | <u>34.3</u> | <u>2</u> |
| Total Sales | <u>1,655,646</u> | <u>12,397,730</u> | <u>7.48815</u> | <u>100.0</u> | <u>100.0</u> | <u>5,454</u> |
| <u>2010</u> | | | | | | |
| Residential | 417,391 | 3,979,581 | 9.53442 | 25.1 | 31.8 | 4,918 |
| Commercial | 400,222 | 3,638,751 | 9.09183 | 24.1 | 29.1 | 525 |
| Large Industrial | <u>844,439</u> | <u>4,890,551</u> | <u>5.79148</u> | <u>50.8</u> | <u>39.1</u> | <u>2</u> |
| Total Sales | <u>1,662,052</u> | <u>12,508,883</u> | <u>7.52617</u> | <u>100.0</u> | <u>100.0</u> | <u>5,445</u> |

City of Hutchinson, Minnesota
Raw Water Finished and Sold
Last Ten Fiscal Years

Table 23

| | <u>Volume in Gallons</u> | <u>Percent of Total Pumped</u> | <u>Total Revenue</u> | <u>Revenue Per 1,000 Gallons</u> | <u>Number of Water Meters</u> |
|-----------------------------|------------------------------|------------------------------------|--------------------------|--------------------------------------|-----------------------------------|
| <u>2019</u> | | | | | |
| Net Raw Water | 626,882,300 | 100.0 % | | | |
| Used in Production | <u>131,302,800</u> | <u>20.9</u> | | | |
| Net Finished Water | 495,579,500 | 79.1 | | | |
| Loss in Distribution System | <u>44,378,500</u> | <u>7.1</u> | | | |
| Total Sales | <u>451,201,000</u> | <u>72.0</u> | \$2,139,682 | \$ 4.742193 | 4,969 |
| <u>2018</u> | | | | | |
| Net Raw Water | 625,791,600 | 100.0 | | | |
| Used in Production | <u>30,999,200</u> | <u>5.0</u> | | | |
| Net Finished Water | 594,792,400 | 95.0 | | | |
| Loss in Distribution System | <u>44,630,100</u> | <u>7.1</u> | | | |
| Total Sales | <u>550,162,300</u> | <u>87.9</u> | 2,171,465 | 3.946953 | 4,954 |
| <u>2017</u> | | | | | |
| Net Raw Water | 666,954,000 | 100.0 | | | |
| Used in Production | <u>139,553,900</u> | <u>20.9</u> | | | |
| Net Finished Water | 527,400,100 | 79.1 | | | |
| Loss in Distribution System | <u>44,630,100</u> | <u>6.7</u> | | | |
| Total Sales | <u>482,770,000</u> | <u>72.4</u> | 2,240,319 | 4.640551 | 4,933 |
| <u>2016</u> | | | | | |
| Net Raw Water | 650,851,600 | 100.0 | | | |
| Used in Production | <u>135,169,452</u> | <u>20.8</u> | | | |
| Net Finished Water | 515,682,148 | 79.2 | | | |
| Loss in Distribution System | <u>18,056,148</u> | <u>2.8</u> | | | |
| Total Sales | <u>497,626,000</u> | <u>76.4</u> | 2,203,975 | 4.428979 | 4,920 |
| <u>2015</u> | | | | | |
| Net Raw Water | 663,500,100 | 100.0 | | | |
| Used in Production | <u>139,485,505</u> | <u>21.0</u> | | | |
| Net Finished Water | 524,014,595 | 79.0 | | | |
| Loss in Distribution System | <u>20,317,595</u> | <u>3.1</u> | | | |
| Total Sales | <u>503,697,000</u> | <u>75.9</u> | 2,302,296 | 4.570796 | 4,913 |

City of Hutchinson, Minnesota
Raw Water Finished and Sold (Continued)
Last Ten Fiscal Years

Table 23

| | <u>Volume in Gallons</u> | <u>Percent of Total Pumped</u> | <u>Total Revenue</u> | <u>Revenue Per 1,000 Gallons</u> | <u>Number of Water Meters</u> |
|-----------------------------|------------------------------|------------------------------------|--------------------------|--------------------------------------|-----------------------------------|
| <u>2014</u> | | | | | |
| Net Raw Water | 664,897,200 | 100.0 % | | | |
| Used in Production | <u>138,648,200</u> | <u>20.9</u> | | | |
| Net Finished Water | 526,249,000 | 79.1 | | | |
| Loss in Distribution System | <u>47,410,000</u> | <u>7.1</u> | | | |
| Total Sales | <u>478,839,000</u> | <u>72.0</u> | 2,214,552 | \$ 4.624836 | 4,755 |
| <u>2013</u> | | | | | |
| Net Raw Water | 681,159,000 | 100.0 | | | |
| Used in Production | <u>134,780,000</u> | <u>19.8</u> | | | |
| Net Finished Water | 546,379,000 | 80.2 | | | |
| Loss in Distribution System | <u>24,031,000</u> | <u>3.5</u> | | | |
| Total Sales | <u>522,348,000</u> | <u>76.7</u> | 2,334,708 | 4.469641 | 4,718 |
| <u>2012</u> | | | | | |
| Net Raw Water | 704,095,000 | 100.0 | | | |
| Used in Production | <u>138,075,000</u> | <u>19.6</u> | | | |
| Net Finished Water | 566,020,000 | 80.4 | | | |
| Loss in Distribution System | <u>29,123,612</u> | <u>4.1</u> | | | |
| Total Sales | <u>536,896,388</u> | <u>76.3</u> | 2,421,630 | 4.510423 | 4,731 |
| <u>2011</u> | | | | | |
| Net Raw Water | 709,759,000 | 100.0 | | | |
| Used in Production | <u>147,232,000</u> | <u>20.7</u> | | | |
| Net Finished Water | 562,527,000 | 79.3 | | | |
| Loss in Distribution System | <u>42,128,000</u> | <u>5.9</u> | | | |
| Total Sales | <u>520,399,000</u> | <u>73.4</u> | 2,324,974 | 4.467676 | 4,792 |
| <u>2010</u> | | | | | |
| Net Raw Water | 752,860,000 | 100.0 | | | |
| Used in Production | <u>153,667,000</u> | <u>20.4</u> | | | |
| Net Finished Water | 599,193,000 | 79.6 | | | |
| Loss in Distribution System | <u>27,792,000</u> | <u>3.7</u> | | | |
| Total Sales | <u>571,401,000</u> | <u>75.9</u> | 2,326,124 | 4.070913 | 4,746 |

City of Hutchinson, Minnesota
 Cost Per Thousand Gallons of Finished Water
 Last Ten Fiscal Years

Table 24

| Year | Production Cost Per M Gallons | Administrative Cost Per M Gallons | Depreciation Cost Per M Gallons | Total Operating Expenses Per M Gallons | Finished Water Billed | Cost Per M Gallons Billed |
|------|-------------------------------------|---|---------------------------------------|--|----------------------------|---------------------------------|
| 2019 | \$1,101,304 2.2223 | \$ 128,421 0.2591 | \$1,078,696 2.1766 | \$2,308,421 4.6580 | 495,579,500 451,201,000 | \$ 5.1162 |
| 2018 | 928,774 1.5615 | 126,327 0.2124 | 1,109,796 1.8659 | 2,164,897 3.6398 | 594,792,400 550,162,300 | 3.9350 |
| 2017 | 980,529 1.8592 | 115,417 0.2188 | 1,218,822 2.3110 | 2,314,768 4.3890 | 527,400,100 482,770,000 | 4.7948 |
| 2016 | 859,423 1.6666 | 124,715 0.2418 | 1,227,282 2.3799 | 2,211,420 4.2883 | 515,682,148 497,626,000 | 4.4439 |
| 2015 | 987,374 1.8842 | 111,763 0.2133 | 1,159,268 2.2123 | 2,258,405 4.3098 | 524,014,595 503,697,000 | 4.4837 |
| 2014 | 951,131 1.8074 | 105,442 0.2004 | 1,093,807 2.0785 | 2,150,380 4.0863 | 526,249,000 478,839,000 | 4.4908 |
| 2013 | 848,825 1.5535 | 185,095 0.3388 | 1,088,642 1.9925 | 2,122,562 3.8848 | 546,379,000 522,348,000 | 4.0635 |
| 2012 | 791,089 1.3976 | 142,040 0.2509 | 1,047,600 1.8508 | 1,980,729 3.4993 | 566,020,000 536,896,388 | 3.6892 |
| 2011 | 783,673 1.3931 | 135,581 0.2410 | 1,028,894 1.8291 | 1,948,148 3.4632 | 562,527,000 520,399,000 | 3.7436 |
| 2010 | 817,030 1.3636 | 146,571 0.2446 | 1,009,537 1.6848 | 1,973,138 3.2930 | 599,193,000 571,401,000 | 3.4532 |

City of Hutchinson, Minnesota
Wastewater Inflow and Cost Per Thousand Gallons Treated
Last Ten Fiscal Years

Table 25

| Year | Total M Gallons to Treatment Facility | Treatment/ Collection Cost Per M Gallons | Administrative Cost Per M Gallons | Depreciation Cost Per M Gallons | Total Cost Per M Gallons | Daily Flow Gallons Minimum/ Maximum |
|------|---|--|---|---------------------------------------|-----------------------------|--|
| 2019 | 967,934 | \$1,582,066 1.6345 | \$ 198,333 0.2049 | \$1,053,799 1.0887 | \$2,834,198 2.9281 | 1,729,000 5,815,000 |
| 2018 | 832,229 | \$1,437,640 1.7275 | \$ 192,026 0.2307 | 1,336,077 1.6054 | 2,965,743 3.5636 | 1,652,000 3,772,000 |
| 2017 | 889,101 ⁽¹⁾ | 1,261,759 1.4191 | 174,037 0.1957 | 1,621,990 1.8243 | 3,057,786 3.4391 | 1,756,000 6,193,000 |
| 2016 | 930,509 | 1,466,815 1.5764 | 189,585 0.2037 | 1,621,494 1.7426 | 3,277,894 3.5227 | 1,500,000 7,755,000 |
| 2015 | 728,632 | 1,319,913 1.8115 | 170,670 0.2342 | 1,552,533 2.1308 | 3,043,116 4.1765 | 1,580,000 3,270,000 |
| 2014 | 820,690 | 1,401,814 1.7081 | 178,580 0.2176 | 1,571,081 1.9143 | 3,151,475 3.8400 | 1,640,000 6,070,000 |
| 2013 | 719,950 | 1,354,855 1.8819 | 302,650 ⁽²⁾ 0.4204 | 1,637,557 2.2745 | 3,295,062 4.5768 | 1,230,000 4,780,000 |
| 2012 | 759,200 | 1,431,686 1.8858 | 167,032 0.2200 | 1,625,644 2.1413 | 3,224,362 4.2471 | 1,490,000 4,910,000 |
| 2011 | 958,920 | 1,610,786 1.6798 | 166,157 0.1733 | 1,620,505 1.6899 | 3,397,448 3.5430 | 1,470,000 7,660,000 |
| 2010 | 951,000 | 1,696,763 1.7842 | 211,082 0.2220 | 1,609,668 1.6926 | 3,517,513 3.6988 | 1,890,000 6,290,000 |

⁽¹⁾ As part of the Wastewater Infrastructure fund (WIF) grant, the City processed zero gallons related to the grant during 2018. The restricted balance in the System Replacement fund at December 31, 2018 is \$350.

⁽²⁾ Includes a one-time bad debt write-off of \$117,214.

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OTHER REQUIRED REPORTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hutchinson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, of the City of Hutchinson, Minnesota (the City) as of and for the year ended December 31, 2019, and the notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2020.

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

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 17, 2020



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

Honorable Mayor and City Council
City of Hutchinson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hutchinson, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

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

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

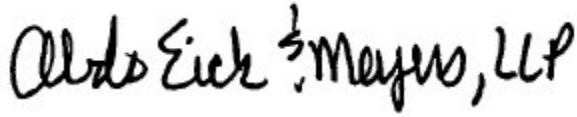
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 17, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Hutchinson, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Hutchinson's, Hutchinson, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

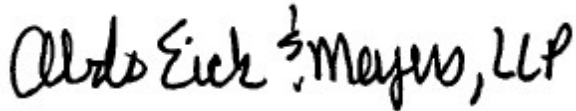
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 17, 2020

City of Hutchinson, Minnesota
 Schedule of Expenditure of Federal Award Programs
 For the Year Ended December 31, 2019

| <u>Federal Funding Source</u> | <u>Administering Department</u> | <u>Program Name</u> | <u>Federal Domestic Assistance Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--------------------------------------|---|---|---|---|---|
| U.S. Department of Justice | Direct | Bulletproof Vest Partnership Program | 16.607 | | \$ 390 |
| U.S. Department of Transportation | Minnesota Department of Transportation | Airport Improvement Program | 20.106 | 4304-37 | 343,975 |
| U.S. Department of Transportation | Minnesota Department of Transportation | Highway Planning and Construction | 20.205 | 133-090-004 133-125-002 | <u>1,175,964</u> |
| | Total Expended | | | | <u><u>\$ 1,520,329</u></u> |

City of Hutchinson, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hutchinson, Minnesota (the City) under programs of the federal government for the year ended December 31, 2019. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

4. Subrecipients

There were no expenditures in the current year provided to subrecipients.

5. Indirect Cost Rate

During the year ended December 31, 2019, the City did not elect to use the 10 percent de minimis indirect cost rate.

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City of Hutchinson, Minnesota
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major programs | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a). | No |

Identification of Major Programs/Projects

| | <u>CFDA No.</u> |
|---|-----------------|
| Highway Planning and Construction | 20.205 |
| Dollar threshold used to distinguish between Type A and Type B Programs | \$ 750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were no prior year audit findings.

Other Issues

A Corrective Action Plan is not required because there were no findings required to be reported under 2CFR section 200.516(a).