

ANNUAL FINANCIAL REPORT

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INTRODUCTORY SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Norwood Young America, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carol Lagergren	Mayor	2024
Alan Krueger	Council Member	2024
Mike McPadden	Council Member	2024
Charlie Storms	Council Member	2026
Brook Allen	Council Member	2026

APPOINTED

Andrea Aukrust	Administrator
Mitchell Thiesfeld	Clerk-Finance Director

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FINANCIAL SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Norwood Young America, Minnesota

Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison schedule for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Norwood Young America and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Norwood Young America's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Shares of the Net Pension Liability, the related note disclosures, the Schedules of Employer's Contributions, and the Schedule of Changes in Net Pension Liability (Asset) and related ratios starting on page 74 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024, 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.



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Minneapolis, Minnesota
August 16, 2024



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Management's Discussion and Analysis

As management of the City of Norwood Young America, 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, 2023.

Financial Highlights

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was due to the increase in property taxes, operating grants and investment earnings.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to the acquisition of land held for resale.
- The unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt increased during the fiscal year. The increase was a result of the 2023A General Obligation Abatement bonds.

Overview of the Financial Statements

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

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

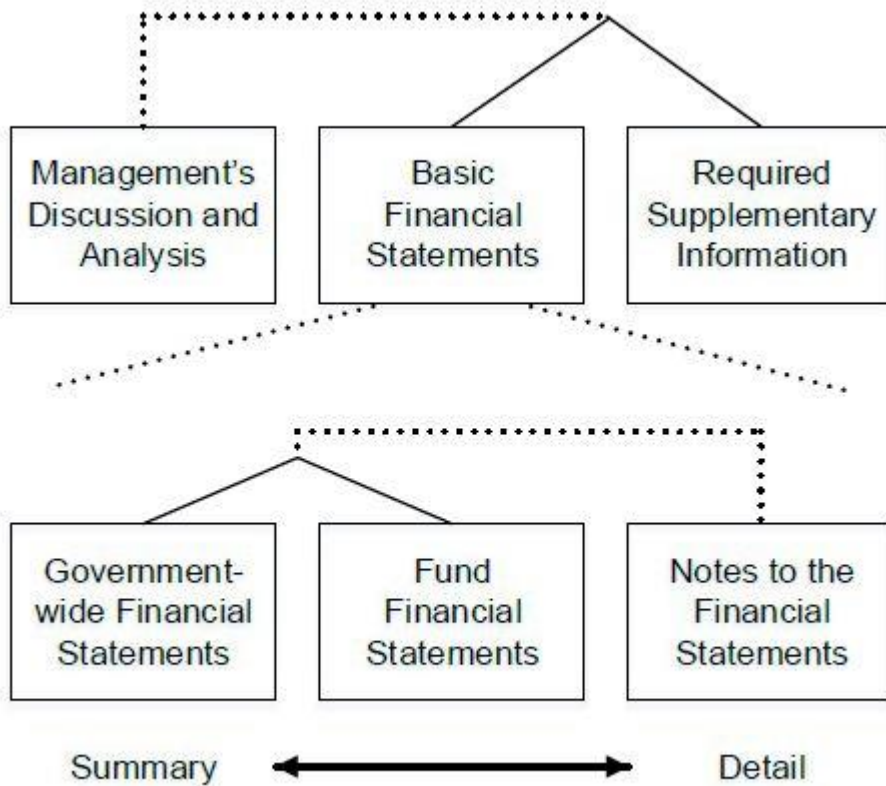


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 Fund 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 inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

The government-wide financial statements start on page 31 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 government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains several individual governmental funds, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Capital fund, the Merger Street Project fund and the Industrial park Project fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, elderly housing, and storm water.

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 the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 41 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 start on page 45 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 Norwood Young America'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 74 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules starts on page 80 of this report.

Government-wide Financial Analysis

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

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

City of Norwood Young America's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 10,320,546	\$ 8,325,024	\$ 1,995,522	\$ 2,502,933	\$ 2,872,156	\$ (369,223)
Capital assets	19,064,270	18,629,673	434,597	17,065,746	17,410,760	(345,014)
Total Assets	<u>29,384,816</u>	<u>26,954,697</u>	<u>2,430,119</u>	<u>19,568,679</u>	<u>20,282,916</u>	<u>(714,237)</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>202,054</u>	<u>255,645</u>	<u>(53,591)</u>	<u>46,568</u>	<u>62,432</u>	<u>(15,864)</u>
Liabilities						
Noncurrent liabilities outstanding	11,063,995	9,954,389	1,109,606	8,911,182	9,908,012	(996,830)
Other liabilities	1,164,195	764,921	399,274	176,134	241,503	(65,369)
Total Liabilities	<u>12,228,190</u>	<u>10,719,310</u>	<u>1,508,880</u>	<u>9,087,316</u>	<u>10,149,515</u>	<u>(1,062,199)</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>124,520</u>	<u>9,897</u>	<u>114,623</u>	<u>52,168</u>	<u>3,751</u>	<u>48,417</u>
Net Position						
Invested in capital assets, net of related debt	8,860,502	9,900,994	(1,040,492)	8,466,671	7,973,776	492,895
Restricted	5,032,239	2,674,463	2,357,776	-	-	-
Unrestricted	<u>3,341,419</u>	<u>3,905,678</u>	<u>(564,259)</u>	<u>2,009,092</u>	<u>2,218,306</u>	<u>(209,214)</u>
Total Net Position	<u>\$ 17,234,160</u>	<u>\$ 16,481,135</u>	<u>\$ 753,025</u>	<u>\$ 10,475,763</u>	<u>\$ 10,192,082</u>	<u>\$ 283,681</u>
Net Position as a Percent of Total						
Net investment in capital assets	51.4 %	60.1 %		80.8 %	78.2 %	
Restricted	29.2	16.2		-	-	
Unrestricted	19.4	23.7		19.2	21.8	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

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

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

Changes in Net Position. Key elements of the changes in net position are as follows:

City of Norwood Young America's Changes in Net Position

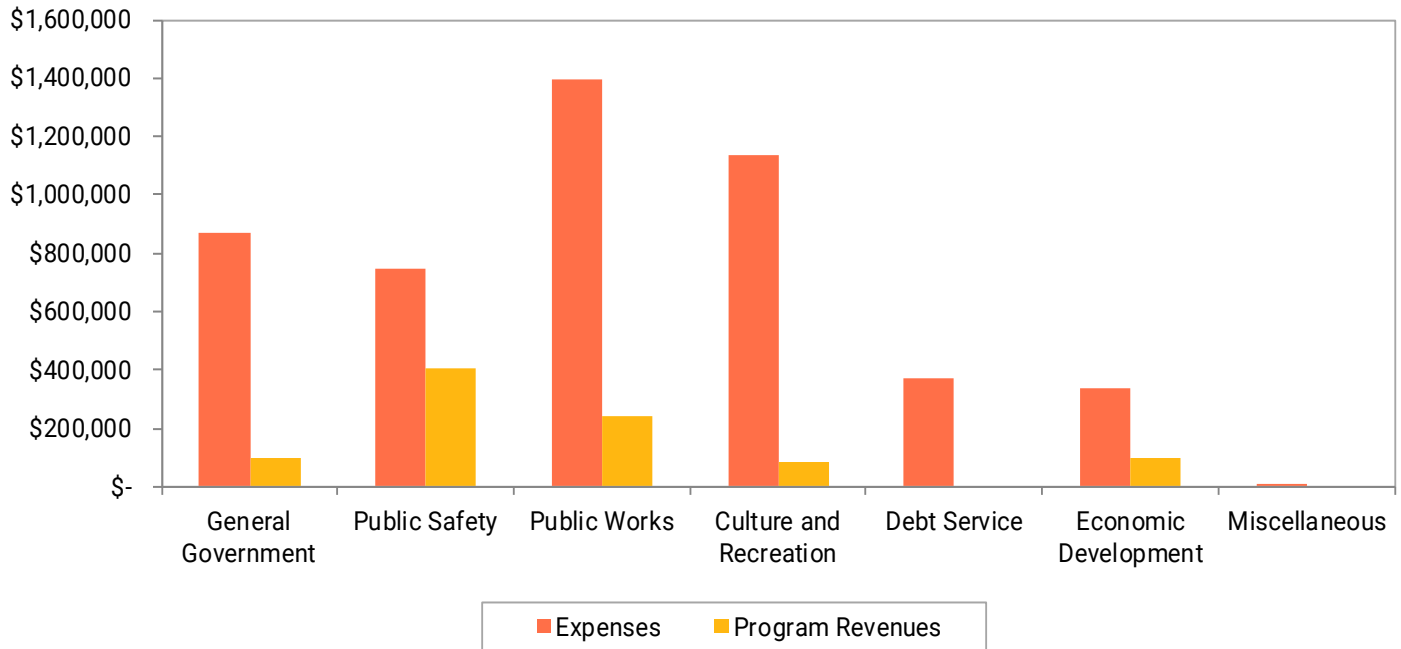
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 455,562	\$ 421,632	\$ 33,930	\$ 3,668,399	\$ 3,387,893	\$ 280,506
Operating grants and contributions	337,745	126,951	210,794	22,573	56,807	(34,234)
Capital grants and contributions	136,756	385,290	(248,534)	8,150	65,252	(57,102)
General Revenues						
Property taxes	3,444,356	3,075,306	369,050	-	-	-
Tax increments	352,935	170,108	182,827	-	-	-
Grants and Contributions Not restricted to specific programs						
	588,053	578,089	9,964	-	-	-
Unrestricted Investment Earnings	316,370	80,068	236,302	82,301	400	81,901
Gain on Sale of Capital Assets	30,636	552,408	(521,772)	-	-	-
Miscellaneous	2,784	79,691	(76,907)	-	-	-
Total Revenues	5,665,197	5,469,543	195,654	3,781,423	3,510,352	271,071
Expenses						
General government	871,926	815,894	56,032	-	-	-
Public safety	748,228	696,021	52,207	-	-	-
Public works	1,394,255	1,287,382	106,873	-	-	-
Culture and recreation	1,139,036	585,963	553,073	-	-	-
Economic development	338,643	337,777	866	-	-	-
Miscellaneous	2,700	-	2,700	-	-	-
Debt Service	372,192	262,244	109,948	-	-	-
Water	-	-	-	888,871	738,210	150,661
Sewer	-	-	-	774,317	719,900	54,417
Harbor at Peace	-	-	-	1,879,746	1,708,341	171,405
Total Expenses	4,866,980	3,985,281	881,699	3,542,934	3,166,451	376,483
Change in Net Position						
Before Transfers	798,217	1,484,262	(686,045)	238,489	343,901	(105,412)
Transfers - capital assets	(259,479)	-	(259,479)	259,479	-	259,479
Transfers - internal activities	214,287	224,907	(10,620)	(214,287)	(224,907)	10,620
Change in Net Position	753,025	1,709,169	(956,144)	283,681	118,994	164,687
Net Position, January 1	16,481,135	14,771,966	1,709,169	10,192,082	10,073,088	118,994
Net Position, December 31	\$ 17,234,160	\$ 16,481,135	\$ 753,025	\$ 10,475,763	\$ 10,192,082	\$ 283,681

Significant changes from the prior year included:

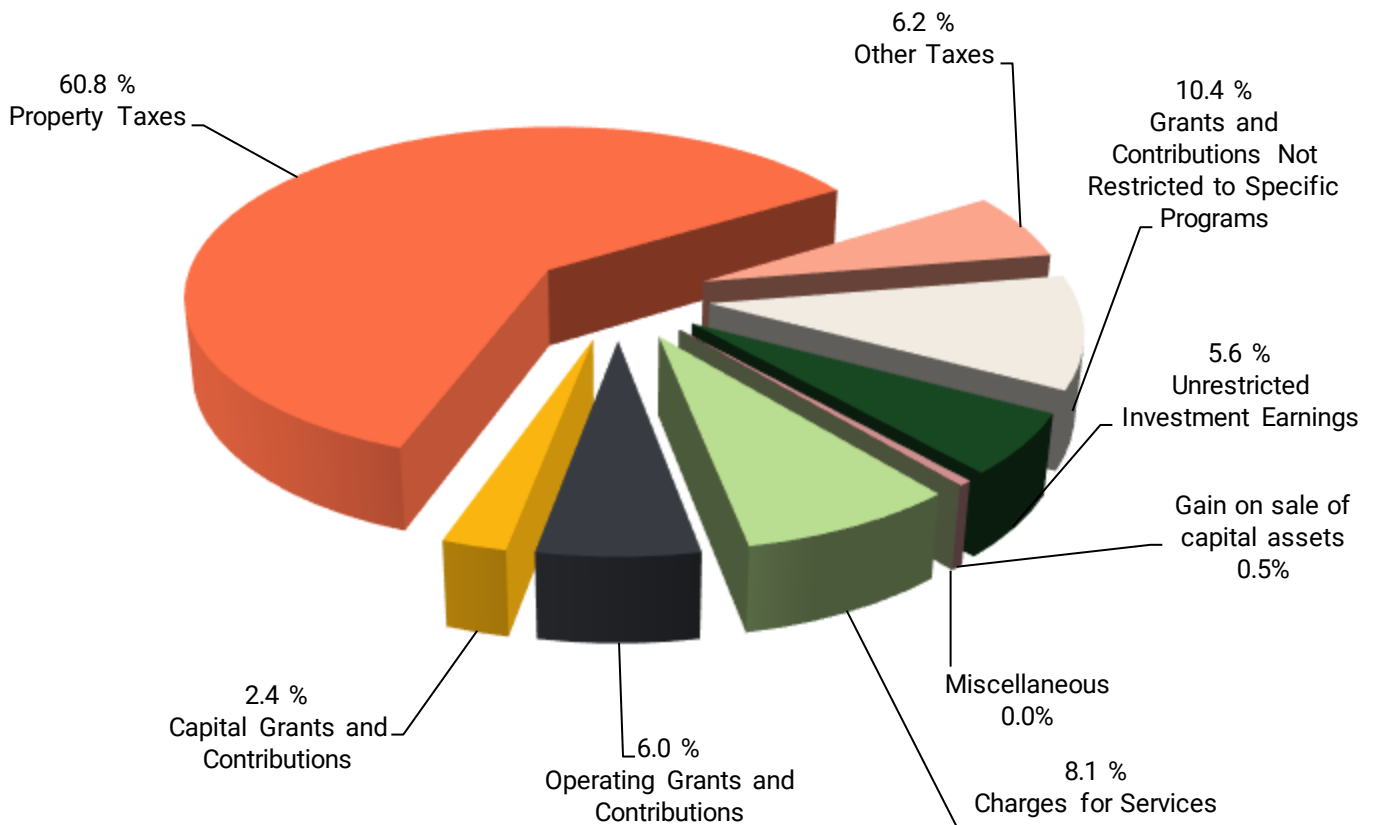
- Capital contribution of infrastructure from the governmental activities to the water and sewer funds.
- Investment earnings increased significantly from the prior year.
- Property taxes increased due to increased debt service levies.
- Culture and recreation expenses increased due to the Cities contribution to a local walking track.

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

Expenses and Program Revenues - Governmental Activities

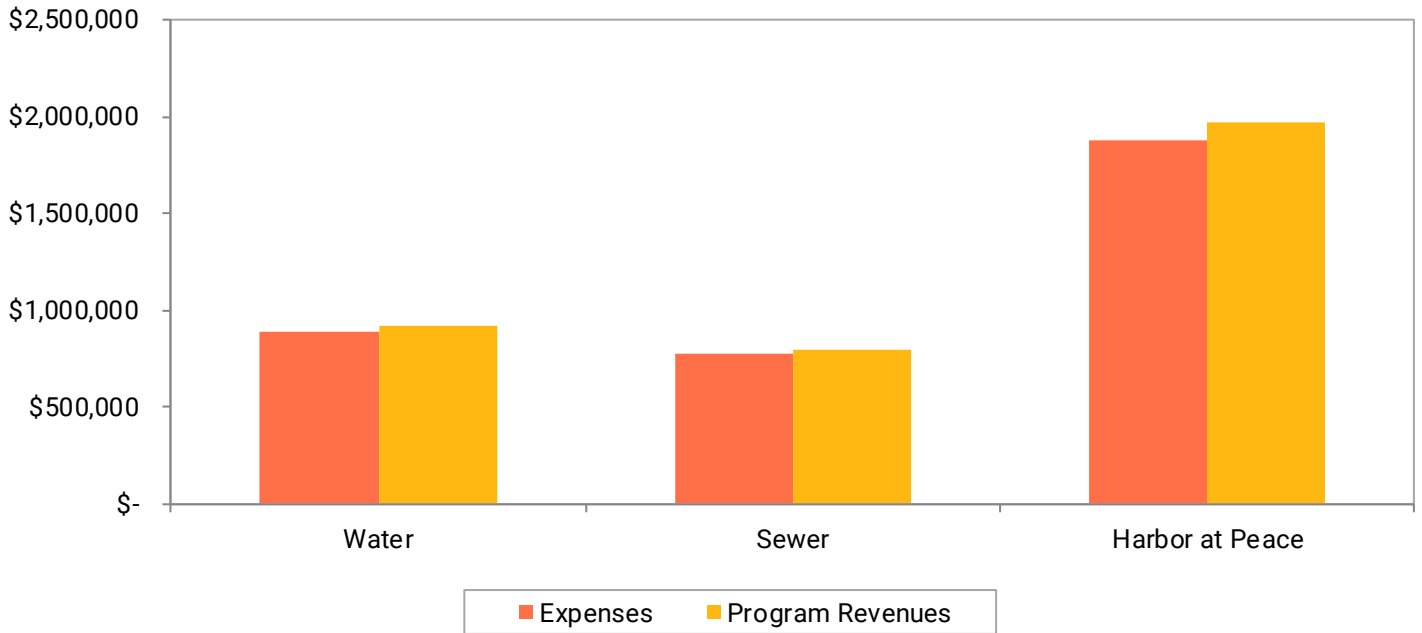


Revenues by Source - Governmental Activities

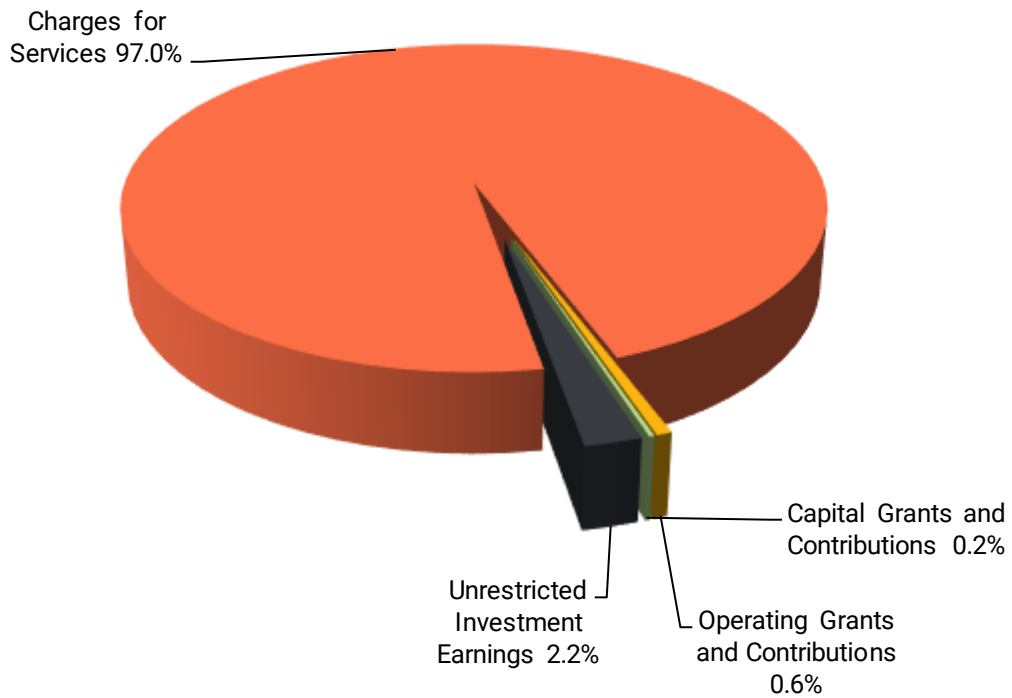


Business-type Activities. Business-type activities decreased the City's net position due to decreases in charges for services. The following charts the operating expenses and revenues for the business-type activities excluding the operating and capital transfers discussed above.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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 table below outlines the governmental fund balances for the year ending December 31, 2023.

	General	Debt Service	Capital	Merger Street Project	Industrial Park Project	Other Governmental Funds	Total Governmental Funds	Prior Year Total
Fund Balances								
Restricted	\$ 174,691	\$2,120,551	\$ -	\$ -	\$2,202,835	\$ 473,603	\$4,971,680	\$2,646,870
Committed	-	-	-	-	-	112,764	112,764	74,230
Assigned	-	-	1,857,575	-	-	569,696	2,427,271	3,276,066
Unassigned	<u>2,340,282</u>	-	-	<u>(223,797)</u>	-	<u>(1,051,089)</u>	<u>1,065,396</u>	<u>903,091</u>
Total	<u>\$2,514,973</u>	<u>\$2,120,551</u>	<u>\$1,857,575</u>	<u>\$ (223,797)</u>	<u>\$2,202,835</u>	<u>\$ 104,974</u>	<u>\$8,577,111</u>	<u>\$6,900,257</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 45 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table below. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance
General Fund Fund Balance		
Restricted	\$ 174,691	\$ -
Unassigned	<u>2,340,282</u>	<u>2,151,272</u>
Total	<u>\$ 2,514,973</u>	<u>\$ 2,151,272</u>
General Fund Expenditures	\$ 2,730,069	\$ 2,494,229
Unassigned as a percent of expenditures	92.1 %	86.2 %
Total Fund Balance as a percent of expenditures	92.1	86.2

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to the collection of local government aid over budget along with sale proceeds from various pieces of capital assets.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Debt Service	\$ 2,120,551	\$ 1,966,746	\$ 153,805
<i>The Debt Service fund increased from the prior year due to revenues collected in the current year to pay future debt service.</i>			
Capital	\$ 1,857,575	\$ 2,809,691	\$ (952,116)
<i>The Capital fund decreased from the prior year due to the use of reserves to pay for capital projects and the Cities contribution to a local walking track project.</i>			
Merger Street Project	\$ (223,797)	\$ -	\$ (223,797)
<i>The Merger Street Project fund ended with a deficit fund balance due to project costs exceeding the bond issued.</i>			
Industrial Park Project	\$ 2,202,835	\$ -	\$ 2,202,835
<i>The Industrial Park Project fund increased due to the issuance of a bond to finance the purchase of land held for resale.</i>			

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

	December 31, 2023	December 31, 2022	Increase (Decrease)
Water	\$ 7,378,797	\$ -	\$ 7,378,797
<i>The Water fund increased during the current year primarily due to capital asset contributions from other funds</i>			
Sewer	\$ 4,594,339	\$ -	\$ 4,594,339
<i>The Sewer fund decreased during the current year due to a combination of capital contributions from other funds and transfers out to pay for debt service.</i>			
Harbor at Peace	\$ (1,497,373)	\$ -	\$ (1,497,373)
<i>The Harbor at Peace fund increased primarily due to operating revenues charges for services exceeding operating costs and required debt service payments.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,731,389	\$ 2,731,389	\$ 3,063,134	\$ 331,745
Expenditures	<u>2,713,889</u>	<u>2,713,889</u>	<u>2,730,069</u>	<u>(16,180)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,500</u>	<u>17,500</u>	<u>333,065</u>	<u>315,565</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	30,636	30,636
Transfers out	<u>(17,500)</u>	<u>(17,500)</u>	-	17,500
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>(17,500)</u>	<u>30,636</u>	<u>48,136</u>
Net Change in Fund Balances	-	-	363,701	363,701
Fund Balances, January 1	<u>2,151,272</u>	<u>2,151,272</u>	<u>2,151,272</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 2,151,272</u></u>	<u><u>\$ 2,151,272</u></u>	<u><u>\$ 2,514,973</u></u>	<u><u>\$ 363,701</u></u>

Actual revenues and expenditures were over the final budget amounts as shown above. The largest revenue variance was due to miscellaneous revenue exceeding expectations and the largest expenditure variance was within general government, which exceeded its original budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023 is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to the following major capital asset events during the fiscal year:

Major public project capital asset events during the current fiscal year were as follows:

- Street Improvements Project.
- Merger Street Project
- Industrial Park Project
- 2nd Ave Improvement Projects

Additional information on the City's capital assets can be found in Note 3B starting on page 56 of this report.

City of Norwood Young America's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 3,117,981	\$ 3,117,981	\$ -	\$ 239,048	\$ 239,048	\$ -
Construction in Progress	733,305	1,387,534	(654,229)	259,479	651,375	(391,896)
Buildings	2,455,057	2,576,820	(121,763)	7,095,289	7,334,738	(239,449)
Infrastructure	10,937,094	10,006,442	930,652	9,106,236	8,855,204	251,032
Machinery and Equipment	1,820,833	1,540,896	279,937	365,694	330,395	35,299
Total	\$ 19,064,270	\$ 18,629,673	\$ 434,597	\$ 17,065,746	\$ 17,410,760	\$ (345,014)

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding consisting of general obligation debt and revenue related debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City

City of Norwood Young America's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Bonds	\$ 6,855,000	\$ 4,870,000	\$ 1,985,000	\$ -	\$ -	\$ -
General Obligation Improvement Bonds	3,182,095	3,881,823	(699,728)	-	-	-
General Obligation Revenue Bonds	-	-	-	8,441,905	9,380,176	(938,271)
Bond Premium	504,373	521,838	(17,465)	299,838	321,274	(21,436)
Bond Discount	-	-	-	(9,321)	(15,409)	6,088
Total	\$ 10,541,468	\$ 9,273,661	\$ 1,267,807	\$ 8,732,422	\$ 9,686,041	\$ (953,619)

Additional information on the City's long-term debt can be found in Note 3D starting on page 59 of this report.

Economic Factors

- In 2023, the 2024 - 2028 Financial Plan was updated and adopted. The information compiled in the plan was used to assist in preparing the 2024 budget and property tax levy.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Norwood Young America, P.O. Box 59 310 Elm Street West, Norwood Young America, Minnesota 55368.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Norwood Young America, Minnesota

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 7,186,922	\$ 2,139,072	\$ 9,325,994
Receivables			
Accrued interest	17,579	-	17,579
Delinquent taxes	42,922	-	42,922
Accounts, net of allowance	13,092	263,717	276,809
Loans, net of allowance	86,260	-	86,260
Special assessments	681,597	80,212	761,809
Due from other governments	27,249	200	27,449
Prepaid items	-	19,732	19,732
Land held for resale	2,264,925	-	2,264,925
Capital assets			
Non-depreciable	3,851,286	498,527	4,349,813
Depreciable (net of accumulated depreciation)	15,212,984	16,567,219	31,780,203
Total Assets	<u>29,384,816</u>	<u>19,568,679</u>	<u>48,953,495</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>202,054</u>	<u>46,568</u>	<u>248,622</u>
Liabilities			
Accounts and other payables	584,602	74,618	659,220
Accrued salaries and wages payable	65,945	29,526	95,471
Due to other governments	12,029	2,335	14,364
Deposits payable	89,319	26,153	115,472
Accrued interest payable	133,918	43,502	177,420
Unearned revenue	278,382	-	278,382
Noncurrent liabilities			
Due within one year			
Long-term liabilities	1,104,550	1,062,674	2,167,224
Due in more than one year			
Long-term liabilities	9,464,018	7,684,872	17,148,890
Net pension liability	495,427	163,636	659,063
Total Liabilities	<u>12,228,190</u>	<u>9,087,316</u>	<u>21,315,506</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>124,520</u>	<u>52,168</u>	<u>176,688</u>
Net Position			
Net investment in capital assets	8,860,502	8,466,671	17,327,173
Restricted for			
Debt service	2,518,810	-	2,518,810
Park dedication	73,280	-	73,280
Economic development	2,255,731	-	2,255,731
Capital projects	9,727	-	9,727
Public Safety	174,691	-	174,691
Unrestricted	<u>3,341,419</u>	<u>2,009,092</u>	<u>5,350,511</u>
Total Net Position	<u>\$ 17,234,160</u>	<u>\$ 10,475,763</u>	<u>\$ 27,709,923</u>

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

City of Norwood Young America, Minnesota

Statement of Activities

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 871,926	\$ 99,388	\$ 750	\$ -
Public safety	748,228	184,267	219,599	-
Public works	1,394,255	99,280	6,396	133,737
Culture and recreation	1,139,036	72,227	11,000	3,019
Economic development	338,643	-	100,000	-
Miscellaneous	2,700	400	-	-
Interest on long-term debt	372,192	-	-	-
Total Governmental Activities	4,866,980	455,562	337,745	136,756
Business-type Activities				
Water	888,871	917,495	4,265	4,125
Sewer	774,317	795,042	275	4,025
Harbor at Peace	1,879,746	1,955,862	18,033	-
Total Business-type Activities	3,542,934	3,668,399	22,573	8,150
Total	\$ 8,409,914	\$ 4,123,961	\$ 360,318	\$ 144,906

General Revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of assets

Miscellaneous

Transfers - capital assets

Transfers - internal activities

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

Governmental Activities	Business-type Activities	Total
\$ (771,788)	\$ -	\$ (771,788)
(344,362)	-	(344,362)
(1,154,842)	-	(1,154,842)
(1,052,790)	-	(1,052,790)
(238,643)	-	(238,643)
(2,300)	-	(2,300)
(372,192)	-	(372,192)
<u>(3,936,917)</u>	<u>-</u>	<u>(3,936,917)</u>
-	37,014	37,014
-	25,025	25,025
-	94,149	94,149
<u>-</u>	<u>156,188</u>	<u>156,188</u>
<u>(3,936,917)</u>	<u>156,188</u>	<u>(3,780,729)</u>
2,818,999	-	2,818,999
625,357	-	625,357
352,935	-	352,935
588,053	-	588,053
316,370	82,301	398,671
30,636	-	30,636
2,784	-	2,784
(259,479)	259,479	-
214,287	(214,287)	-
<u>4,689,942</u>	<u>127,493</u>	<u>4,817,435</u>
753,025	283,681	1,036,706
<u>16,481,135</u>	<u>10,192,082</u>	<u>26,673,217</u>
<u>\$ 17,234,160</u>	<u>\$ 10,475,763</u>	<u>\$ 27,709,923</u>

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

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FUND FINANCIAL STATEMENTS
CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Norwood Young America, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Debt Service	Capital	Merger Street Project	Industrial Park Project	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and temporary investments	\$ 2,756,266	\$ 2,168,669	\$ 801,848	\$ (92,485)	\$ (738)	\$ 1,553,362	\$ 7,186,922
Receivables							
Accrued interest	17,579	-	-	-	-	-	17,579
Delinquent taxes	42,922	-	-	-	-	-	42,922
Accounts	2,507	-	-	-	-	10,585	13,092
Loans	-	-	86,260	-	-	10,000	96,260
Less: allowance for forgivable loans	-	-	-	-	-	(10,000)	(10,000)
Special assessments	42,697	532,372	-	106,500	-	28	681,597
Due from other governments	26,085	1,164	-	-	-	-	27,249
Advances to other funds	-	-	1,056,279	-	-	-	1,056,279
Land held for resale	-	-	-	-	2,264,925	-	2,264,925
Total Assets	\$ 2,888,056	\$ 2,702,205	\$ 1,944,387	\$ 14,015	\$ 2,264,187	\$ 1,563,975	\$ 11,376,825
Liabilities							
Accounts and other payables	\$ 188,346	\$ -	\$ 86,812	\$ 131,312	\$ 61,352	\$ 116,780	\$ 584,602
Accrued salaries and wages payable	65,440	-	-	-	-	505	65,945
Due to other governments	12,029	-	-	-	-	-	12,029
Deposits payable	32,815	49,477	-	-	-	7,027	89,319
Advances from other funds	-	-	-	-	-	1,056,279	1,056,279
Unearned revenue	-	-	-	-	-	278,382	278,382
Total Liabilities	298,630	49,477	86,812	131,312	61,352	1,458,973	2,086,556
Deferred Inflows of Resources							
Unavailable revenue - taxes	31,756	-	-	-	-	-	31,756
Unavailable revenue - special assessments	42,697	532,177	-	106,500	-	28	681,402
Total Deferred Inflows of Resources	74,453	532,177	-	106,500	-	28	713,158
Fund Balances							
Restricted for							
Debt service	-	2,120,551	-	-	-	-	2,120,551
Park dedication	-	-	-	-	-	73,280	73,280
Economic development	-	-	-	-	2,202,835	52,896	2,255,731
Capital projects	-	-	-	-	-	347,427	347,427
Public Safety	174,691	-	-	-	-	-	174,691
Committed							
Donations	-	-	-	-	-	20,053	20,053
Cemetery	-	-	-	-	-	20,369	20,369
Strom Water	-	-	-	-	-	72,342	72,342
Assigned for							
Industrial park marketing	-	-	52,410	-	-	-	52,410
Capital outlay	-	-	1,805,165	-	-	569,696	2,374,861
Unassigned	2,340,282	-	-	(223,797)	-	(1,051,089)	1,065,396
Total Fund Balances	2,514,973	2,120,551	1,857,575	(223,797)	2,202,835	104,974	8,577,111
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,888,056	\$ 2,702,205	\$ 1,944,387	\$ 14,015	\$ 2,264,187	\$ 1,563,975	\$ 11,376,825

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

City of Norwood Young America, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2023

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

Total Fund Balances - Governmental Funds	\$ 8,577,111
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	34,872,150
Less: accumulated depreciation	(15,807,880)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(27,100)
Bond principal payable	(10,037,095)
Less bond premium	(504,373)
Net Pension liability	(495,427)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	31,756
Special assessments	681,402
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	202,054
Deferred inflows of pension resources	(124,520)
Governmental funds do not report a liability for accrued interest until due and payable.	(133,918)
Total Net Position - Governmental Activities	\$ 17,234,160

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

City of Norwood Young America, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General	Debt Service	Capital	Merger Street Project	Industrial Park Project	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 1,859,201	\$ 625,357	\$ 458,400	\$ -	\$ -	\$ 844,758	\$ 3,787,716
Licenses and permits	106,051	-	-	-	-	-	106,051
Intergovernmental	747,199	-	-	-	100,000	56,587	903,786
Charges for services	163,929	-	-	-	-	100,188	264,117
Fines and forfeits	11,534	-	-	-	-	-	11,534
Special assessments	28,033	167,771	-	17,400	-	2,047	215,251
Interest on investments	97,026	89,851	77,324	-	-	52,169	316,370
Miscellaneous	50,161	-	18,609	-	-	10,681	79,451
Total Revenues	3,063,134	882,979	554,333	17,400	100,000	1,066,430	5,684,276
Expenditures							
Current							
General government	813,061	-	-	-	-	3,415	816,476
Public safety	549,989	-	-	-	-	-	549,989
Public works	816,282	-	-	-	-	81,098	897,380
Culture and recreation	346,436	-	-	-	-	2,412	348,848
Economic development	179,333	-	-	-	-	87,315	266,648
Miscellaneous	2,700	-	-	-	-	-	2,700
Capital outlay							
Public safety	18,695	-	62,111	-	-	-	80,806
Public works	-	-	461,739	857,197	-	70,593	1,389,529
Culture and recreation	3,573	-	822,853	-	-	-	826,426
Debt service							
Principal	-	879,728	-	-	-	-	879,728
Interest and other	-	268,803	-	-	-	27,847	296,650
Bond issuance costs	-	-	-	-	94,284	-	94,284
Total Expenditures	2,730,069	1,148,531	1,346,703	857,197	94,284	272,680	6,449,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	333,065	(265,552)	(792,370)	(839,797)	5,716	793,750	(765,188)
Other Financing Sources (Uses)							
Bonds issued	-	-	-	-	2,165,000	-	2,165,000
Bond premium	-	-	-	-	32,119	-	32,119
Sale of capital assets	30,636	-	-	-	-	-	30,636
Transfers in	-	419,357	-	616,000	-	144,256	1,179,613
Transfers out	-	-	(159,746)	-	-	(805,580)	(965,326)
Total Other Financing Sources (Uses)	30,636	419,357	(159,746)	616,000	2,197,119	(661,324)	2,442,042
Net Change in Fund Balances	363,701	153,805	(952,116)	(223,797)	2,202,835	132,426	1,676,854
Fund Balances, January 1	2,151,272	1,966,746	2,809,691	-	-	(27,452)	6,900,257
Fund Balances, December 31	\$ 2,514,973	\$ 2,120,551	\$ 1,857,575	\$ (223,797)	\$ 2,202,835	\$ 104,974	\$ 8,577,111

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

City of Norwood Young America, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,676,854
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	1,536,347
Depreciation expense	(824,588)
Assets contributed to business-type activities	(259,479)
<p>In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.</p>	
	(17,683)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on 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. The amounts below are the effect of these differences in the treatment of long-term debt and related items.</p>	
Debt issued	(2,165,000)
Bond premium	(32,119)
Principal repayments	879,728
Amortization of bond premium	49,584
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(30,842)
<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	9,575
Special assessments	(59,339)
<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	8,462
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(18,524)
Direct aid contributions	49
Change in Net Position - Governmental Activities	\$ 753,025

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

City of Norwood Young America, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,883,212	\$ 1,883,212	\$ 1,859,201	\$ (24,011)
Licenses and permits	57,200	57,200	106,051	48,851
Intergovernmental	562,801	562,801	747,199	184,398
Charges for services	155,600	155,600	163,929	8,329
Fines and forfeitures	10,000	10,000	11,534	1,534
Special assessments	10,000	10,000	28,033	18,033
Interest on investments	25,000	25,000	97,026	72,026
Miscellaneous	27,576	27,576	50,161	22,585
Total Revenues	<u>2,731,389</u>	<u>2,731,389</u>	<u>3,063,134</u>	<u>331,745</u>
Expenditures				
Current				
General government	768,395	768,395	813,061	(44,666)
Public safety	519,058	519,058	549,989	(30,931)
Public works	894,449	894,449	816,282	78,167
Culture and recreation	361,312	361,312	346,436	14,876
Economic development	140,075	140,075	179,333	(39,258)
Miscellaneous	6,000	6,000	2,700	3,300
Capital outlay	24,600	24,600	22,268	2,332
Total Expenditures	<u>2,713,889</u>	<u>2,713,889</u>	<u>2,730,069</u>	<u>(16,180)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,500</u>	<u>17,500</u>	<u>333,065</u>	<u>315,565</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	30,636	30,636
Transfers out	(17,500)	(17,500)	-	17,500
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>(17,500)</u>	<u>30,636</u>	<u>48,136</u>
Net Change in Fund Balances	-	-	363,701	363,701
Fund Balances, January 1	<u>2,151,272</u>	<u>2,151,272</u>	<u>2,151,272</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,151,272</u>	<u>\$ 2,151,272</u>	<u>\$ 2,514,973</u>	<u>\$ 363,701</u>

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

City of Norwood Young America, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2023

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 1,139,104	\$ 709,145	\$ 290,823	\$ 2,139,072
Receivables				
Accounts, net of allowance	86,269	81,362	96,086	263,717
Special assessments	47,269	32,943	-	80,212
Due from other governments	194	6	-	200
Prepaid items	-	-	19,732	19,732
Total Current Assets	1,272,836	823,456	406,641	2,502,933
Noncurrent Assets				
Capital assets				
Land	75,230	97,118	66,700	239,048
Buildings	5,890,829	477,582	5,216,522	11,584,933
Infrastructure	7,342,245	11,284,137	37,255	18,663,637
Machinery and equipment	428,050	590,212	433,529	1,451,791
Construction in progress	183,243	76,236	-	259,479
Less accumulated depreciation	(4,455,850)	(7,297,465)	(3,379,827)	(15,133,142)
Total Capital Assets	9,463,747	5,227,820	2,374,179	17,065,746
Total Assets	10,736,583	6,051,276	2,780,820	19,568,679
Deferred Outflows of Resources				
Deferred pension resources	23,285	23,283	-	46,568
Liabilities				
Current Liabilities				
Accounts and other payables	23,802	24,315	26,501	74,618
Due to other governments	486	1,849	-	2,335
Accrued salaries and wages payable	4,386	4,715	20,425	29,526
Deposits payable	-	-	26,153	26,153
Accrued interest payable	32,486	11,016	-	43,502
Compensated absences payable - current	7,562	7,562	-	15,124
Bonds payable - current	471,024	356,526	220,000	1,047,550
Total Current Liabilities	539,746	405,983	293,079	1,238,808
Noncurrent Liabilities				
Net Pension liability	81,731	81,905	-	163,636
Bonds payable, net	2,733,509	966,249	3,985,114	7,684,872
Total Noncurrent Liabilities	2,815,240	1,048,154	3,985,114	7,848,508
Total Liabilities	3,354,986	1,454,137	4,278,193	9,087,316
Deferred Inflows of Resources				
Deferred pension resources	26,085	26,083	-	52,168
Net Position				
Net investment in capital assets	6,344,125	3,953,481	(1,830,935)	8,466,671
Unrestricted	1,034,672	640,858	333,562	2,009,092
Total Net Position	\$ 7,378,797	\$ 4,594,339	\$(1,497,373)	\$10,475,763

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

City of Norwood Young America, Minnesota
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			Totals
	601 Water	602 Sewer	251 Harbor at Peace	
Operating Revenues				
Rental income	\$ -	\$ -	\$ 1,863,392	\$ 1,863,392
Other housing income	-	-	92,470	92,470
Charges for services	917,495	795,042	-	1,712,537
Total Operating Revenues	<u>917,495</u>	<u>795,042</u>	<u>1,955,862</u>	<u>3,668,399</u>
Operating Expenses				
Personal services	218,460	214,610	985,208	1,418,278
Supplies	12,888	24,938	166,067	203,893
Other services and charges	91,789	96,247	247,165	435,201
Repair and maintenance	126,162	39,946	69,751	235,859
Utilities	51,127	62,312	121,391	234,830
Advertising	-	-	6,132	6,132
Depreciation	299,185	312,169	229,019	840,373
Total Operating Expenses	<u>799,611</u>	<u>750,222</u>	<u>1,824,733</u>	<u>3,374,566</u>
Operating Income	<u>117,884</u>	<u>44,820</u>	<u>131,129</u>	<u>293,833</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	-	-	18,033	18,033
Interest income	49,755	31,548	998	82,301
Miscellaneous income	4,265	275	-	4,540
Amortization of deferred charges and bond premium	2,229	1,871	11,248	15,348
Interest expense and other	(91,489)	(25,966)	(66,261)	(183,716)
Total Nonoperating Revenues (Expenses)	<u>(35,240)</u>	<u>7,728</u>	<u>(35,982)</u>	<u>(63,494)</u>
Income Before				
Contributions and Transfers	<u>82,644</u>	<u>52,548</u>	<u>95,147</u>	<u>230,339</u>
Capital assets contributed from other funds	183,243	76,236	-	259,479
Capital contributions	4,125	4,025	-	8,150
Transfers out	(60,657)	(153,630)	-	(214,287)
Total Capital Contributions and Transfers	<u>209,355</u>	<u>(20,821)</u>	<u>95,147</u>	<u>283,681</u>
Change in Net Position	209,355	(20,821)	95,147	283,681
Net Position, January 1	<u>7,169,442</u>	<u>4,615,160</u>	<u>(1,592,520)</u>	<u>10,192,082</u>
Net Position, December 31	<u>\$ 7,378,797</u>	<u>\$ 4,594,339</u>	<u>\$ (1,497,373)</u>	<u>\$ 10,475,763</u>

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

City of Norwood Young America, Minnesota

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Total
Cash Flows from Operating Activities				
Receipts from tenants and users	\$ 917,775	\$ 791,124	\$ 1,987,546	\$ 3,696,445
Payments to suppliers	(275,559)	(198,532)	(615,385)	(1,089,476)
Payments to employees	(207,592)	(214,979)	(1,034,472)	(1,457,043)
Net Cash Provided by Operating Activities	<u>434,624</u>	<u>377,613</u>	<u>337,689</u>	<u>1,149,926</u>
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(60,657)	(153,630)	-	(214,287)
Cash Flows from Capital and Related Financing Activities				
Connection fees received	225	125	-	350
Acquisition of capital assets	(39,474)	(62,596)	(133,810)	(235,880)
Trunk charges received	3,900	3,900	-	7,800
Principal paid on long-term debt	(408,407)	(319,865)	(209,999)	(938,271)
Interest paid on long-term debt	(91,522)	(27,042)	(107,886)	(226,450)
Net Cash Used by Capital and Related Financing Activities	<u>(535,278)</u>	<u>(405,478)</u>	<u>(451,695)</u>	<u>(1,392,451)</u>
Cash Flows from Investing Activities				
Interest received	49,755	31,548	998	82,301
Net Increase (Decrease) In Cash and Cash Equivalents	(111,556)	(149,947)	(113,008)	(374,511)
Cash and Cash Equivalents, January 1	<u>1,250,660</u>	<u>859,092</u>	<u>403,831</u>	<u>2,513,583</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,139,104</u>	<u>\$ 709,145</u>	<u>\$ 290,823</u>	<u>\$ 2,139,072</u>
to Net Cash Provided by Operating Activities				
Operating income	\$ 117,884	\$ 44,820	\$ 131,129	\$ 293,833
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	4,265	275	18,033	22,573
Depreciation	299,185	312,169	229,019	840,373
(Increase) decrease in assets/deferred outflows				
Accounts receivable	(5,503)	(2,557)	11,505	3,445
Special assessments	1,518	(1,636)	-	(118)
Prepaid items	-	-	(8,615)	(8,615)
Deferred pension resources	7,933	7,931	-	15,864
Increase (decrease) in liabilities/deferred inflows				
Accounts and other payables	9,640	12,727	3,736	26,103
Due to other governments	(3,233)	616	-	(2,617)
Accrued salaries and wages payable	334	663	(49,264)	(48,267)
Deposits payable	-	-	2,146	2,146
Compensated absences payable	(1,032)	(1,032)	-	(2,064)
Net pension liability	(20,576)	(20,571)	-	(41,147)
Deferred pension resources	24,209	24,208	-	48,417
Net Cash Provided by Operating Activities	<u>\$ 434,624</u>	<u>\$ 377,613</u>	<u>\$ 337,689</u>	<u>\$ 1,149,926</u>
Noncash Capital and Related Financing Activities				
Capital assets contributed by other funds	\$ 183,243	\$ 76,236	\$ -	\$ 259,479
Amortization of bond (discount)/premium	<u>\$ 2,229</u>	<u>\$ 1,871</u>	<u>\$ 11,248</u>	<u>\$ 15,348</u>

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

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City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Norwood Young America, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City 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 City 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 City. The City has the following component unit:

Blended Component Units. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of the members of the City Council. The EDA activities are blended and reported in the General fund due to City Council has significant influence to the EDA. Separate financial statements are not issued for this component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City 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.

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 2) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property taxes, 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.

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 major governmental funds that are calculated based on these criteria:

- 1) Total assets and deferred outflows and liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (that is, total governmental or total enterprise funds), *and*
- 2) Total assets and deferred outflows and liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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 City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the City is obligated in some manner for the payment.

The *Capital fund* accumulates resources for future capital outlay purchases.

The Merger Street Project fund accounts for the merger street project expenditures and bond issuance.

The Industrial Park Project fund accounts for the purchase of land held for resale and bond issuance.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

The *Harbor at Peace fund* accounts for the activities of the City's elderly housing project.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

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

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

Investment Policy

The funds of the City shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. Investments shall be made based on statutory constraints and subject to available designated staffing capabilities. The primary investment criteria in priority sequence are safety, liquidity and yield.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Limitations on instruments, diversification and maturity scheduling shall depend on the purpose of the fund for which they are being invested. All funds shall be normally considered short-term (one year) except those reserved for building construction projects and used to provide financial flexibility for future fiscal years. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs within one fiscal cycle, taking into account large routine expenditures. Instruments and diversification for mid and long-term portfolios shall be the same as for the short-term portfolio. Maturity scheduling shall be timed according to anticipated need. For example, investment of building construction funds shall be timed to meet contractor payments, usually for a term not to exceed three (3) years.

All investment securities purchased by the City shall be held in safekeeping by an institution designated as custodial agent. The financial institutions shall issue a safekeeping receipt to the City listing the specific instrument, in whose name the security is held, rate, maturity and other pertinent information. Deposit-type securities (i.e., certificates of deposit) shall be collateralized as required by M.S. 118A for any amount exceeding FDIC or FSLIC coverage. Other investments requiring collateral are secured by the actual security held in safekeeping by the primary agent. Mortgages will not be accepted as collateral.

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.

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. The City's recurring fair value measurements are listed in detail on page 55 and summarized below.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2023:

- Governmental Securities are values using quoted market prices (Level 1 inputs)
- Negotiable Certificates of Deposit are values using a matrix pricing model (Level 2 inputs)

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor 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 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 2023. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

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

Prepaid Items

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

Interfund Receivables and Payables

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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.

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

Assets	Useful Lives in Years
Land Improvements	4 to 25
Buildings and Improvements	5 to 50
System and Improvements	20 to 50
Office Furniture and Fixtures	3 to 15
Machinery and Equipment	4 to 20
Automotive Equipment	2 to 10

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused "paid time off" (PTO) benefits, which upon termination in good standing will be paid the accrued PTO. All PTO 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. The General fund is typically used to liquidate governmental compensated absences.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

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. The recognition of premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of 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.

Pensions

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

The total pension expense for the General Employees Plan (GERP) and Norwood Young America Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		
	GERP	Fire Relief Association	Total All Plans
City's proportionate share	\$ 108,771	\$ 35,134	\$ 143,905
Proportionate share of State's contribution	69	-	69
Total pension expense	\$ 108,840	\$ 35,134	\$ 143,974

Fire Relief Association

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 Norwood Young America 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.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

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

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35 percent of budgeted operating expenditures for cash-flow timing needs.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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 balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

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 fund. 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 30th, the proposed budget is presented to the City Council for review. The City 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, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the fund level. Budgeted amounts are as originally adopted, or as amended by the City Council.

The budget was not amended during 2023.

B. Deficit Fund Equity

As of December 31, 2023, the following funds reported deficit fund equity:

Fund	Amount
Governmental Funds	
Major capital project funds	
Merger Street Project	\$ 223,797
Nonmajor capital projects funds	
TIF 3-3	252,686
TIF 3-4	329,282
TIF 3-6	313,467
Underpass Project	155,654

The fund deficits will be eliminated with future charges for services, transfers, tax increments and other revenues.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Excess of Expenditures over Appropriations

For the year ended December 31, 2023 expenditures exceeded appropriations in the following fund:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund	<u>\$ 2,713,889</u>	<u>\$ 2,730,069</u>	<u>\$ 16,180</u>

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

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.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

At year end, the City's carrying amount of deposits was \$7,399,819 and the bank balance was \$7,488,494. The bank balance was covered by federal depository insurance totaling \$500,000, the remaining bank balance was covered by collateral held by the City's agent in the City's name.

Investments

As of December 31, 2023, the City had the following investments:

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 Cost						
Broker money market fund	N/A	N/A	\$ 45,931			
Non-pooled Investments at Fair Value						
Negotiable Certificates of deposit	N/A	less 1 year	244,640	\$ -	\$ 244,640	\$ -
Negotiable Certificates of deposit	N/A	1 to 5 years	1,369,694	-	1,369,694	-
Government Securities	AAA	over 5 years	265,560	265,560	-	-
Total Non-pooled Investments			<u>1,879,894</u>	<u>265,560</u>	<u>1,614,334</u>	<u>-</u>
Total Investments			<u>\$ 1,925,825</u>	<u>\$ 265,560</u>	<u>\$ 1,614,334</u>	<u>\$ -</u>

(1) Ratings are provided by various credit 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.** 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. The City's investment policy and Minnesota statutes limit the City's investments to the list are on page 48 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's investment policy requires appropriate collateralization of investments.
- **Concentration of Credit Risk.** Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City's investment policy does however require the City to seek diversification of investments.
- **Interest Rate Risk.** Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy seeks to mitigate the City's exposure to interest rate risk.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 7,399,819
Investments	1,925,825
Cash on Hand	<u>350</u>
 Total	 <u><u>\$ 9,325,994</u></u>
 Government-wide Statements	
Cash and temporary investments	<u><u>\$ 9,325,994</u></u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 3,117,981	\$ -	\$ -	\$ 3,117,981
Construction in progress	1,387,534	1,063,378	(1,717,607)	733,305
Total Capital Assets not being Depreciated	<u>4,505,515</u>	<u>1,063,378</u>	<u>(1,717,607)</u>	<u>3,851,286</u>
 Capital Assets being Depreciated				
Buildings and improvements	4,343,920	-	-	4,343,920
Infrastructure	20,977,224	1,458,128	-	22,435,352
Machinery and equipment	3,946,078	472,969	(177,455)	4,241,592
Total Capital Assets being Depreciated	<u>29,267,222</u>	<u>1,931,097</u>	<u>(177,455)</u>	<u>31,020,864</u>
 Less Accumulated Depreciation for				
Buildings and improvements	(1,767,100)	(121,763)	-	(1,888,863)
Infrastructure	(10,970,782)	(527,476)	-	(11,498,258)
Machinery and equipment	(2,405,182)	(175,349)	159,772	(2,420,759)
Total Accumulated Depreciation	<u>(15,143,064)</u>	<u>(824,588)</u>	<u>159,772</u>	<u>(15,807,880)</u>
 Total Capital Assets being Depreciated, Net	 <u>14,124,158</u>	 <u>1,106,509</u>	 <u>(17,683)</u>	 <u>15,212,984</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$ 18,629,673</u></u>	 <u><u>\$ 2,169,887</u></u>	 <u><u>\$ (1,735,290)</u></u>	 <u><u>\$ 19,064,270</u></u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 239,048	-	-	\$ 239,048
Construction in progress	651,375	292,380	(684,276)	259,479
Total Capital Assets not being Depreciated	<u>890,423</u>	<u>292,380</u>	<u>(684,276)</u>	<u>498,527</u>
Capital Assets being Depreciated				
Buildings	11,476,874	108,059	-	11,584,933
Infrastructure	17,984,061	679,576	-	18,663,637
Machinery and equipment	1,352,171	99,620	-	1,451,791
Total Capital Assets being Depreciated	<u>30,813,106</u>	<u>887,255</u>	<u>-</u>	<u>31,700,361</u>
Less Accumulated Depreciation for				
Buildings	(4,142,136)	(347,508)	-	(4,489,644)
Infrastructure	(9,128,857)	(428,544)	-	(9,557,401)
Machinery and equipment	(1,021,776)	(64,321)	-	(1,086,097)
Total Accumulated Depreciation	<u>(14,292,769)</u>	<u>(840,373)</u>	<u>-</u>	<u>(15,133,142)</u>
Total Capital Assets being Depreciated, Net	<u>16,520,337</u>	<u>46,882</u>	<u>-</u>	<u>16,567,219</u>
Business-type Activities Capital Assets, Net	<u>\$ 17,410,760</u>	<u>\$ 339,262</u>	<u>\$ (684,276)</u>	<u>\$ 17,065,746</u>

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

Governmental Activities		
General government		\$ 56,342
Public safety		119,750
Public works		483,144
Culture and recreation		97,412
Economic development		67,940
Total Depreciation Expense - Governmental Activities		<u>\$ 824,588</u>
Business-type Activities		
Water		\$ 299,185
Sewer		312,169
Harbor at Peace		229,019
Total Depreciation Expense - Business-type Activities		<u>\$ 840,373</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Construction Projects and Commitments

The City has active construction projects as of December 31, 2023. At year end, the commitments with the contractors for these projects are as follows:

Project	Spent to Date	Remaining Commitment
Old Town Concession Stand	\$ 114,508	\$ 698,736
Merger Street Project	\$ 709,986	\$ 69,479

C. Interfund Receivables, Payables and Transfers

The City Council determined that it is necessary to provide a source of funding for improvements to finance the industrial park land purchase through other City funds, as well as provide interfund financing to support industrial development related to tax increment financing. The following are the interfund advances outstanding at year end:

Receivable Fund	Payable Fund	Amount
Capital fund	Nonmajor governmental funds	\$ 1,056,279

The composition of interfund transfers as of December 31, 2023 is as follows:

Fund	Transfer In			Total
	Debt Service	Merger Street Project	Nonmajor Governmental	
Transfer Out				
Capital	\$ 159,746	\$ -	\$ -	\$ 159,746
Nonmajor governmental	45,324	616,000	144,256	805,580
Water	60,657	-	-	60,657
Sewer	153,630	-	-	153,630
Total	\$ 419,357	\$ 616,000	\$ 144,256	\$ 1,179,613

During the year, transfers are used to move revenues from the fund with collection authorization to the Debt Service fund, as debt service principal and interest payments become due. Transfers were also made to fund current and future projects.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

D. 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 general government and proprietary activities. In addition, bonds have been issued to refund related general obligation special assessment and general obligation revenue bonds. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2016A	\$ 1,415,000	2.00 - 3.00 %	07/21/16	02/01/35	\$ 1,415,000
G.O. Bonds, Series 2020A	935,000	2.00 - 4.00	07/07/20	02/01/31	715,000
G.O. Bonds, Series 2021A	760,000	1.00 - 2.00	08/19/21	02/01/32	695,000
G.O. Bonds, Series 2022A	1,865,000	3.00 - 3.150	06/16/22	02/01/33	1,865,000
G.O. Abatement Bonds, Series 2023A	2,165,000	4.50 - 6.00	03/09/23	02/01/43	2,165,000
Total General Obligation Bonds					<u>\$ 6,855,000</u>

Annual debt service requirements to maturity for general obligation refunding bonds is as follows:

Year Ending December 31,	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2024	\$ 350,000	\$ 274,007	\$ 624,007
2025	430,000	217,740	647,740
2026	550,000	200,915	750,915
2027	505,000	183,615	688,615
2028	520,000	167,690	687,690
2029 - 2033	2,725,000	597,312	3,322,312
2034 - 2038	1,005,000	278,290	1,283,290
2039 - 2043	770,000	99,860	869,860
Total	<u>\$ 6,855,000</u>	<u>\$ 2,019,429</u>	<u>\$ 8,874,429</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2013A	\$ 1,920,000	2.00 - 3.25 %	06/20/13	02/01/31	\$ 995,000
G.O. Bonds, Series 2020A	4,008,550	2.00 - 4.00	07/07/20	02/01/32	<u>2,187,095</u>
Total G.O. Special Assessment Bonds					<u><u>\$ 3,182,095</u></u>

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2024	\$ 727,450	\$ 102,047	\$ 829,497
2025	738,210	73,859	812,069
2026	615,315	47,964	663,279
2027	425,475	28,197	453,672
2028	151,481	17,841	169,322
2029 - 2032	<u>524,164</u>	<u>24,703</u>	<u>548,867</u>
Total	<u><u>\$ 3,182,095</u></u>	<u><u>\$ 294,611</u></u>	<u><u>\$ 3,476,706</u></u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from revenues generated from the system. They will be repaid from future revenues pledged from enterprise funds and are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note, Series 2010	\$ 1,966,604	2.46 %	07/21/10	08/20/39	\$ 1,249,000
G.O. Sewer and Water Revenue Refunding Bonds, 2012A	3,815,000	0.40 - 2.00	03/14/12	02/01/24	395,000
G.O. Water Revenue Bonds, Series 2016A	1,920,000	2.19	07/21/16	02/01/29	1,090,000
G.O. Bonds, Series 2020A	276,450	2.00 - 4.00	07/07/20	02/01/32	152,904
G.O. Housing Revenue Refunding Bonds, Series 2020	4,580,000	2.00 - 3.00	07/16/20	08/01/38	3,970,000
G.O. Bonds, Series 2021A	825,000	1.00 - 2.00	08/19/21	02/01/32	755,000
G.O. Bonds, Series 2022A	830,000	3.00 - 3.150	06/16/22	02/01/33	830,000
Total G.O. Revenue Bonds					<u>\$ 8,441,904</u>

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
2024	\$ 1,047,550	\$ 189,603	\$ 1,237,153
2025	662,790	168,492	831,282
2026	682,685	151,014	833,699
2027	664,525	133,656	798,181
2028	669,519	116,757	786,276
2029 - 2033	2,718,835	370,024	3,088,859
2034 - 2039	1,996,000	135,667	2,131,667
Total	<u>\$ 8,441,904</u>	<u>\$ 1,265,213</u>	<u>\$ 9,707,117</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services and rent revenues, principal and interest payments, and percent of revenue required to cover principal and interest payment for the G.O. Revenue bonds are as follows:

	Water	Sewer	Harbor at Peace
Revenues	\$ 917,495	\$ 795,042	\$ 1,955,862
Principal and Interest	499,929	346,907	317,885
Percent of Revenues	54 %	44 %	16 %

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 4,870,000	\$ 2,165,000	\$ (180,000)	\$ 6,855,000	\$ 350,000
G.O. special assessment bonds	3,881,823	-	(699,728)	3,182,095	727,450
Unamortized premium on bonds	521,838	32,119	(49,584)	504,373	-
Total Bonds Payable	<u>9,273,661</u>	<u>2,197,119</u>	<u>(929,312)</u>	<u>10,541,468</u>	<u>1,077,450</u>
Compensated Absences Payable	<u>35,562</u>	<u>23,741</u>	<u>(32,203)</u>	<u>27,100</u>	<u>27,100</u>
Governmental Activity Long-term Liabilities	<u>\$ 9,309,223</u>	<u>\$ 2,220,860</u>	<u>\$ (961,515)</u>	<u>\$ 10,568,568</u>	<u>\$ 1,104,550</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 9,380,176	\$ -	\$ (938,271)	\$ 8,441,905	\$ 1,047,550
Unamortized Premium on Bonds	321,274	-	(21,436)	299,838	-
Discount on Bonds	(15,409)	-	6,088	(9,321)	-
Total Bonds Payable	<u>9,686,041</u>	<u>-</u>	<u>(953,619)</u>	<u>8,732,422</u>	<u>1,047,550</u>
Compensated Absences Payable	<u>17,188</u>	<u>33,875</u>	<u>(35,939)</u>	<u>15,124</u>	<u>15,124</u>
Business-type Activity Long-term Liabilities	<u>\$ 9,703,229</u>	<u>\$ 33,875</u>	<u>\$ (989,558)</u>	<u>\$ 8,747,546</u>	<u>\$ 1,062,674</u>

City of Norwood Young America
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for 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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

City of Norwood Young America
Notes to the Financial Statements
December 31, 2023

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$67,165, \$54,055 and \$50,161, 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, 2023, the City reported a liability of \$553,596 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$15,301. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0099 percent at the end of the measurement period and 0.0094 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 553,596
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>15,301</u>
Total	<u><u>\$ 568,897</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$108,771 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$69 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 17,959	\$ 3,582
Changes in Actuarial Assumptions	84,224	151,736
Net Difference Between Projected and Actual Investment Earnings	-	21,370
Changes in Proportion	20,868	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>34,668</u>	<u>-</u>
Total	<u><u>\$ 157,719</u></u>	<u><u>\$ 176,688</u></u>

City of Norwood Young America
Notes to the Financial Statements
December 31, 2023

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

The \$34,668 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$		19,829
2025			(70,800)
2026			9,344
2027			(12,010)

E. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

City of Norwood Young America
Notes to the Financial Statements
December 31, 2023

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 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 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.

H. 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 one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 979,357	\$ 553,596	\$ 203,393

I. 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 Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Statewide Volunteer Firefighter Retirement Plan

A. Plan Description

The Norwood Young America Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered 28 active firefighters and 8 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$35,134 in fire state aid to the plan on behalf of the Norwood Young America Fire Department for the year ended December 31, 2023, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2023 were \$37,134. In addition, the City made voluntary contributions of \$3,500 to the plan.

D. Investment Policy

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Statewide Volunteer Firefighter Retirement Plan (Continued)

E. Pension Cost

At December 31, 2023, the City reported a net pension liability of \$105,466 for the SVF plan. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department as of December 31, 2023. 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 12/31/22	\$ 836,728	\$ 731,261	\$ 105,467
Net Changes	-	-	-
Ending Balance 12/31/23	\$ 836,728	\$ 731,261	\$ 105,467

For the year ended December 31, 2023, the City recognized pension expense of \$12,555.

At December 31, 2023, the City reported deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,897	\$ -
Net Difference Between Projected and Actual Earnings on Plan Investments	85,006	-
Total	\$ 90,903	\$ -
2024		\$ 1,351
2025		(19,783)
2026		(29,048)
2027		(43,423)

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Statewide Volunteer Firefighter Retirement Plan (Continued)

F. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0%
- Inflation rate of 3.0%

There were no changes in actuarial assumptions in 2023.

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic 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	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Cash Equivalents	<u>25.00</u>	0.75
Total	<u><u>100.00</u></u> %	

G. Discount Rate

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Statewide Volunteer Firefighter Retirement Plan (Continued)

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.0%)	Current (6.0%)	1 Percent Increase (7.0%)
	Net Pension Liability (Asset)	\$ 126,846	\$ 105,467

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2023, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 6: Other Information

A. Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City’s management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

The City’s statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City’s applicable debt does not exceed the limit.

C. Tax Increment Districts

The City’s tax increment district is 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.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 7: Joint Ventures

The City and the Carver County Community Development Agency (CDA) entered into a joint powers agreement for the purpose of the redevelopment of approximately 4.5 acres known as the Oak Grove Dairy property. To the extent deemed necessary by the CDA, the Agencies shall enter into additional written agreements from time to time relating to specific activities. It is the intent of the parties that any governmentally owned housing development project would be developed, owned and operated by the CDA. The City and the CDA initially paid one-half the preliminary property acquisition costs and one half on any cost of carrying the property following the acquisition. Each party shall pay cost and expenses incurred by it to obtain financing for its share of cost relating to the foregoing costs. Cost relating to operation, maintenance, repair and replacement of any housing development project are expected to be paid from revenue generated by the respective projects pledged to the payment thereof.

The joint powers agreement was amended in December of 2016 to convey the CDA's interest in certain parcels to the City and eliminate the City's annual payment to the CDA.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Norwood Young America, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2023

Schedule of Employer's Share of the PERA Net Pension Liability - General Employees 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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0099 %	\$ 553,596	\$ 15,301	\$ 568,898	\$ 790,730	70.0 %	83.1 %
06/30/22	0.0094	744,483	21,881	766,364	687,608	108.3	76.7
06/30/21	0.0093	397,152	12,148	409,300	664,052	59.8	87.0
06/30/20	0.0085	509,614	15,603	525,217	603,689	84.4	79.0
06/30/19	0.0087	481,004	14,833	495,837	614,168	78.3	80.2
06/30/18	0.0089	493,736	16,210	509,946	599,417	82.4	79.5
06/30/17	0.0086	549,018	-	549,018	551,281	99.6	75.9
06/30/16	0.0090	730,755	-	730,755	582,866	125.4	68.9
06/30/15	0.0089	461,244	-	461,244	994,883	46.4	78.2

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

Schedule of Employer's the 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)
12/31/23	\$ 67,165	\$ 67,165	\$ -	\$ 895,539	7.5 %
12/31/22	54,055	54,055	-	720,737	7.5
12/31/21	50,161	50,161	-	668,814	7.5
12/31/20	46,742	46,742	-	623,227	7.5
12/31/19	45,854	45,854	-	611,390	7.5
12/31/18	45,744	45,744	-	609,920	7.5
12/31/17	42,641	42,641	-	568,543	7.5
12/31/16	43,633	43,633	-	581,773	7.5
12/31/15	41,421	41,421	-	552,285	7.5

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

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.

2016 - There were no changes in plan provisions since the previous valuation.

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 Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

	2023 (2022 FRA)	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 27,768	\$ 37,025	\$ 39,670	\$ 34,179	\$ 29,973	\$ 25,358	\$ 25,321	\$ 27,263
Interest on pension liability	46,856	47,319	44,776	45,817	41,415	42,761	40,204	38,912
Differences between expected and actual experience	39,651	(45,505)	17,940	(28,484)	(81,092)	(15,500)	(17,276)	(21,792)
Changes of benefit level	-	51,127	22,904	-	-	-	-	-
Changes of assumptions	-	-	-	-	175,282	29,366	-	-
Benefit payments	(61,409)	(115,444)	(45,100)	(103,600)	(89,265)	(70,063)	-	(41,800)
Net Change in Total Pension Liability	52,866	(25,478)	80,190	(52,088)	76,313	11,922	48,249	2,583
Total Pension Liability - January 1	783,861	809,339	729,149	781,237	704,924	693,002	644,753	642,170
Total Pension Liability - December 31 (a)	\$ 836,727	\$ 783,861	\$ 809,339	\$ 729,149	\$ 781,237	\$ 704,924	\$ 693,002	\$ 644,753
Plan Fiduciary Net Position								
Employer contributions	\$ 3,500	\$ 3,500	\$ 10,835	\$ -	\$ 3,244	\$ -	\$ 22,158	\$ -
Nonemployer contributions	37,134	34,045	32,836	31,876	31,048	28,378	29,400	28,912
Projected investment return	52,673	79,032	110,463	42,999	48,067	95,132	47,203	1,921
Adjust to initial asset transfer	-	-	-	5,961	-	-	-	-
Gain (loss)	(177,452)	-	-	77,184	(76,509)	-	-	-
Benefit payments	(61,409)	(115,444)	(45,100)	(103,600)	(89,265)	(70,063)	-	(41,800)
Administrative expenses	(1,072)	(1,157)	(1,124)	(1,061)	(1,064)	(1,125)	(1,191)	(1,041)
Net Change in Plan Fiduciary Net Position	(146,626)	(24)	107,910	53,359	(84,479)	52,322	97,570	(12,008)
Plan Fiduciary Net Position - January 1	877,886	877,910	770,000	716,641	801,120	748,798	651,228	663,236
Plan Fiduciary Net Position - December 31 (b)	\$ 731,260	\$ 877,886	\$ 877,910	\$ 770,000	\$ 716,641	\$ 801,120	\$ 748,798	\$ 651,228
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ 105,467	\$ (94,025)	\$ (68,571)	\$ (40,851)	\$ 64,596	\$ (96,196)	\$ (55,796)	\$ (6,475)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	87.40%	112.00%	108.47%	105.60%	91.73%	113.65%	108.05%	101.00%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Schedule of Employer's Contributions - Statewide Volunteer Firefighters Fund

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/23	\$ 35,134	\$ 38,634	\$ (3,500)
12/31/22	35,134	38,634	(3,500)
12/31/21	29,459	30,808	(1,349)
12/31/20	33,514	36,914	(3,400)
12/31/19	31,876	31,876	-
12/31/18	29,048	29,048	-
12/31/17	28,378	28,378	-

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 NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Norwood Young America, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2023

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 454,657	\$ 1,098,705	\$ 1,553,362
Receivables			
Accounts	10,397	188	10,585
Loans	-	10,000	10,000
Less: allowance for forgivable loans	-	(10,000)	(10,000)
Special assessments	28	-	28
 Total Assets	 \$ 465,082	 \$ 1,098,893	 \$ 1,563,975
Liabilities			
Accounts and other payables	\$ 123	\$ 116,657	\$ 116,780
Deposits payable	-	7,027	7,027
Accrued salaries and wages payable	505	-	505
Unearned revenue	278,382	-	278,382
Advances from other funds	-	1,056,279	1,056,279
Total Liabilities	279,010	1,179,963	1,458,973
Deferred Inflows of Resources			
Unavailable revenue - special assessments	28	-	28
Fund Balances			
Restricted for			
Park dedication	73,280	-	73,280
Economic development	-	52,896	52,896
Capital projects	-	347,427	347,427
Committed			
Donations	20,053	-	20,053
Cemetery	20,369	-	20,369
Storm Water	72,342	-	72,342
Assigned for			
Capital outlay	-	569,696	569,696
Unassigned	-	(1,051,089)	(1,051,089)
Total Fund Balances	186,044	(81,070)	104,974
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 465,082	 \$ 1,098,893	 \$ 1,563,975

City of Norwood Young America, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2023

	Special Revenue	Capital Projects	Total
Revenues			
Taxes			
Property	\$ -	\$ 491,823	\$ 491,823
Tax increments	-	352,935	352,935
Intergovernmental	56,587	-	56,587
Charges for services	100,188	-	100,188
Special assessments	2,047	-	2,047
Interest on investments	3,902	48,267	52,169
Miscellaneous	10,681	-	10,681
Total Revenues	173,405	893,025	1,066,430
Expenditures			
Current			
General government	-	3,415	3,415
Public works	81,098	-	81,098
Culture and recreation	2,412	-	2,412
Economic development	-	87,315	87,315
Capital outlay			
Public works	-	70,593	70,593
Debt service			
Interest and other	-	27,847	27,847
Total Expenditures	83,510	189,170	272,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	89,895	703,855	793,750
Other Financing Sources (Uses)			
Transfers in	-	144,256	144,256
Transfers out	(45,324)	(760,256)	(805,580)
Total Other Financing Sources (Uses)	(45,324)	(616,000)	(661,324)
Net Changes in Fund Balances	44,571	87,855	132,426
Fund Balances, January 1	141,473	(168,925)	(27,452)
Fund Balances, December 31	\$ 186,044	\$ (81,070)	\$ 104,974

City of Norwood Young America, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2023

	201 Park Dedication	603 Storm Water	830 Donations	230 Cemetery	258 ARPA (Covid) Funds	Total
Assets						
Cash and temporary investments	\$ 73,280	\$ 62,573	\$ 20,053	\$ 20,369	\$ 278,382	\$ 454,657
Receivable						
Accounts	-	10,397	-	-	-	10,397
Special assessments	-	28	-	-	-	28
Total Assets	\$ 73,280	\$ 72,998	\$ 20,053	\$ 20,369	\$ 278,382	\$ 465,082
Liabilities						
Accounts and other payables	\$ -	\$ 123	\$ -	\$ -	\$ -	\$ 123
Accrued salaries and wages payable	-	505	-	-	-	505
Unearned revenue	-	-	-	-	278,382	278,382
Total Liabilities	-	628	-	-	278,382	279,010
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	28	-	-	-	28
Fund Balances						
Restricted for						
Park dedication	73,280	-	-	-	-	73,280
Committed						
Donations	-	-	20,053	-	-	20,053
Cemetery	-	-	-	20,369	-	20,369
Storm Water	-	72,342	-	-	-	72,342
Total Fund Balances	73,280	72,342	20,053	20,369	-	186,044
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 73,280	\$ 72,998	\$ 20,053	\$ 20,369	\$ 278,382	\$ 465,082

City of Norwood Young America, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2023

	201 Park Dedication	603 Storm Water	830 Donations	230 Cemetery	258 ARPA (Covid) Funds	Total
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 56,587	\$ 56,587
Charges for services	3,019	96,769	-	400	-	100,188
Special assessments	-	2,047	-	-	-	2,047
Interest on investments	3,018	-	(1)	885	-	3,902
Miscellaneous	-	1,181	9,500	-	-	10,681
Total Revenues	<u>6,037</u>	<u>99,997</u>	<u>9,499</u>	<u>1,285</u>	<u>56,587</u>	<u>173,405</u>
Expenditures						
Current						
Public works	-	24,511	-	-	56,587	81,098
Culture and recreation	-	-	1,312	1,100	-	2,412
Total Expenditures	<u>-</u>	<u>24,511</u>	<u>1,312</u>	<u>1,100</u>	<u>56,587</u>	<u>83,510</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,037	75,486	8,187	185	-	89,895
Other Financing Sources (Uses)						
Transfers out	-	(45,324)	-	-	-	(45,324)
Net Change in Fund Balances	6,037	30,162	8,187	185	-	44,571
Fund Balances, January 1	67,243	42,180	11,866	20,184	-	141,473
Fund Balances, December 31	<u>\$ 73,280</u>	<u>\$ 72,342</u>	<u>\$ 20,053</u>	<u>\$ 20,369</u>	<u>\$ -</u>	<u>\$ 186,044</u>

City of Norwood Young America, Minnesota

Nonmajor Capital Projects Funds

Combining Balance Sheet

December 31, 2023

	407	423	424	425	431	498
	TIF 1-5	TIF 3-3	TIF 3-4	TIF 3-5	TIF 3-6	Street Improv. Project
Assets						
Cash and temporary investments	\$ 126,762	\$ -	\$ 49,268	\$ 42,791	\$ 111,576	\$ 154,361
Receivables						
Accounts	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Less: allowance for forgivable loans	-	-	-	-	-	-
Total Assets	<u>\$ 126,762</u>	<u>\$ -</u>	<u>\$ 49,268</u>	<u>\$ 42,791</u>	<u>\$ 111,576</u>	<u>\$ 154,361</u>
Liabilities						
Accounts and other payables	\$ 116,657	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	252,686	378,550	-	425,043	-
Total Liabilities	<u>116,657</u>	<u>252,686</u>	<u>378,550</u>	<u>-</u>	<u>425,043</u>	<u>-</u>
Fund Balances						
Restricted for						
Economic development	10,105	-	-	42,791	-	-
Capital projects	-	-	-	-	-	-
Assigned for						
Capital outlay	-	-	-	-	-	154,361
Unassigned	-	(252,686)	(329,282)	-	(313,467)	-
Total Fund Balances	<u>10,105</u>	<u>(252,686)</u>	<u>(329,282)</u>	<u>42,791</u>	<u>(313,467)</u>	<u>154,361</u>
Total Liabilities and Fund Balances	<u>\$ 126,762</u>	<u>\$ -</u>	<u>\$ 49,268</u>	<u>\$ 42,791</u>	<u>\$ 111,576</u>	<u>\$ 154,361</u>

225	614	496	497	495	494	278		
Economic Recovery	Cable TV Upgrades	Oak Lane Improvement	Underpass Project	2nd Avenue Lift Station	2nd Avenue Phase 2	Land Acquisition	Developers Escrows	Total
\$ 62,391	\$ 8,864	\$ -	\$ (155,654)	\$ -	\$ 347,427	\$ 346,147	\$ 4,772	\$ 1,098,705
188	-	-	-	-	-	-	-	188
10,000	-	-	-	-	-	-	-	10,000
(10,000)	-	-	-	-	-	-	-	(10,000)
<u>\$ 62,579</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ (155,654)</u>	<u>\$ -</u>	<u>\$ 347,427</u>	<u>\$ 346,147</u>	<u>\$ 4,772</u>	<u>\$ 1,098,893</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,657
2,255	-	-	-	-	-	-	4,772	7,027
-	-	-	-	-	-	-	-	1,056,279
<u>2,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,772</u>	<u>1,179,963</u>
-	-	-	-	-	-	-	-	52,896
-	-	-	-	-	347,427	-	-	347,427
60,324	8,864	-	-	-	-	346,147	-	569,696
-	-	-	(155,654)	-	-	-	-	(1,051,089)
<u>60,324</u>	<u>8,864</u>	<u>-</u>	<u>(155,654)</u>	<u>-</u>	<u>347,427</u>	<u>346,147</u>	<u>-</u>	<u>(81,070)</u>
<u>\$ 62,579</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ (155,654)</u>	<u>\$ -</u>	<u>\$ 347,427</u>	<u>\$ 346,147</u>	<u>\$ 4,772</u>	<u>\$ 1,098,893</u>

City of Norwood Young America, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenue, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2023

	407	423	424	425	431	498
	TIF 1-5	TIF 3-3	TIF 3-4	TIF 3-5	TIF 3-6	Street Improv. Project
Revenues						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,000
Tax increments	85,616	-	88,254	67,342	111,723	-
Interest on investments	3,549	-	-	-	3,419	7,453
Total Revenues	<u>89,165</u>	<u>-</u>	<u>88,254</u>	<u>67,342</u>	<u>115,142</u>	<u>433,453</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Economic development	84,307	9	900	1,200	899	-
Capital outlay						
Public works	-	-	-	-	-	-
Debt service						
Interest and other charges	-	-	16,909	1,415	9,523	-
Total Expenditures	<u>84,307</u>	<u>9</u>	<u>17,809</u>	<u>2,615</u>	<u>10,422</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,858</u>	<u>(9)</u>	<u>70,445</u>	<u>64,727</u>	<u>104,720</u>	<u>433,453</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	144,256
Transfers out	-	-	-	-	-	(616,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(471,744)</u>
Net Change in Fund Balances	4,858	(9)	70,445	64,727	104,720	(38,291)
Fund Balances, January 1	<u>5,247</u>	<u>(252,677)</u>	<u>(399,727)</u>	<u>(21,936)</u>	<u>(418,187)</u>	<u>192,652</u>
Fund Balances, December 31	<u>\$ 10,105</u>	<u>\$ (252,686)</u>	<u>\$ (329,282)</u>	<u>\$ 42,791</u>	<u>\$ (313,467)</u>	<u>\$ 154,361</u>

225	614	496	497	495	494	278		
<u>Economic Recovery</u>	<u>Cable TV Upgrades</u>	<u>Oak Lane Improvement</u>	<u>Underpass Project</u>	<u>2nd Avenue Lift Station</u>	<u>2nd Avenue Phase 2</u>	<u>Land Acquisition</u>	<u>Developer Escrows</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 65,823	\$ -	\$ 491,823
-	-	-	-	-	-	-	-	352,935
<u>2,933</u>	<u>447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,294</u>	<u>13,172</u>	<u>-</u>	<u>48,267</u>
<u>2,933</u>	<u>447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,294</u>	<u>78,995</u>	<u>-</u>	<u>893,025</u>
-	3,415	-	-	-	-	-	-	3,415
-	-	-	-	-	-	-	-	87,315
-	-	-	-	(1)	70,594	-	-	70,593
-	-	-	-	-	-	-	-	27,847
<u>-</u>	<u>3,415</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>70,594</u>	<u>-</u>	<u>-</u>	<u>189,170</u>
<u>2,933</u>	<u>(2,968)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(53,300)</u>	<u>78,995</u>	<u>-</u>	<u>703,855</u>
-	-	-	-	-	-	-	-	144,256
-	-	(38,962)	-	(105,294)	-	-	-	(760,256)
<u>-</u>	<u>-</u>	<u>(38,962)</u>	<u>-</u>	<u>(105,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(616,000)</u>
2,933	(2,968)	(38,962)	-	(105,293)	(53,300)	78,995	-	87,855
<u>57,391</u>	<u>11,832</u>	<u>38,962</u>	<u>(155,654)</u>	<u>105,293</u>	<u>400,727</u>	<u>267,152</u>	<u>-</u>	<u>(168,925)</u>
<u>\$ 60,324</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ (155,654)</u>	<u>\$ -</u>	<u>\$ 347,427</u>	<u>\$ 346,147</u>	<u>\$ -</u>	<u>\$ (81,070)</u>

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City of Norwood Young America, 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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 1,883,212	\$ 1,883,212	\$ 1,859,201	\$ (24,011)	\$ 1,519,172
Licenses and permits					
Business	10,200	10,200	12,515	2,315	10,429
Nonbusiness	47,000	47,000	93,536	46,536	96,968
Total licenses and permits	<u>57,200</u>	<u>57,200</u>	<u>106,051</u>	<u>48,851</u>	<u>107,397</u>
Intergovernmental					
State					
Market value credit	250	250	255	5	265
Local government aid	517,631	517,631	517,631	-	500,909
Other	4,620	4,620	201,306	196,686	10,860
County					
Recycling	14,300	14,300	4,243	(10,057)	5,055
Highway aid	9,000	9,000	-	(9,000)	36,969
Other	17,000	17,000	18,244	1,244	17,232
Local					
Other	-	-	5,520	5,520	5,016
Total intergovernmental	<u>562,801</u>	<u>562,801</u>	<u>747,199</u>	<u>184,398</u>	<u>576,306</u>
Charges for services					
General government	17,600	17,600	13,034	(4,566)	18,506
Public safety	76,200	76,200	71,155	(5,045)	75,565
Public works	2,400	2,400	3,238	838	1,900
Culture and recreation	59,400	59,400	72,227	12,827	73,637
Other	-	-	4,275	4,275	498
Total charges for services	<u>155,600</u>	<u>155,600</u>	<u>163,929</u>	<u>8,329</u>	<u>170,106</u>
Fines and forfeitures	<u>10,000</u>	<u>10,000</u>	<u>11,534</u>	<u>1,534</u>	<u>13,123</u>
Special assessments	<u>10,000</u>	<u>10,000</u>	<u>28,033</u>	<u>18,033</u>	<u>449</u>
Interest on investments	<u>25,000</u>	<u>25,000</u>	<u>97,026</u>	<u>72,026</u>	<u>31,412</u>
Miscellaneous					
Contributions and donations	5,000	5,000	5,700	700	7,925
Refunds and reimbursements	18,000	18,000	20,666	2,666	43,563
Other	4,576	4,576	23,795	19,219	98,657
Total miscellaneous	<u>27,576</u>	<u>27,576</u>	<u>50,161</u>	<u>22,585</u>	<u>150,145</u>
Total Revenues	<u>2,731,389</u>	<u>2,731,389</u>	<u>3,063,134</u>	<u>331,745</u>	<u>2,568,110</u>

City of Norwood Young America, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 17,714	\$ 17,714	\$ 17,669	\$ 45	\$ 17,698
Supplies	800	800	314	486	433
Other services and charges	4,000	4,000	1,288	2,712	5,159
Total Mayor and Council	<u>22,514</u>	<u>22,514</u>	<u>19,271</u>	<u>3,243</u>	<u>23,290</u>
City administrator/administration					
Personal services	103,169	103,169	141,005	(37,836)	118,650
Supplies	-	-	-	-	1,230
Other services and charges	5,350	5,350	1,649	3,701	2,960
Total city administrator/administration	<u>108,519</u>	<u>108,519</u>	<u>142,654</u>	<u>(34,135)</u>	<u>122,840</u>
Community development director					
Personal services	120,530	120,530	62,462	58,068	36,974
Other services and charges	68,850	68,850	39,043	29,807	47,691
Total community development director	<u>189,380</u>	<u>189,380</u>	<u>101,505</u>	<u>87,875</u>	<u>84,665</u>
Board and commissions					
Other services and charges	5,200	5,200	4,800	400	3,000
City clerk-treasurer					
Personal services	129,776	129,776	148,724	(18,948)	137,585
Supplies	9,500	9,500	9,287	213	13,369
Other services and charges	61,300	61,300	69,683	(8,383)	75,406
Total city clerk-treasurer	<u>200,576</u>	<u>200,576</u>	<u>227,694</u>	<u>(27,118)</u>	<u>226,360</u>
Election					
Supplies	-	-	-	-	343
Other services and charges	-	-	797	(797)	4,710
Total election	<u>-</u>	<u>-</u>	<u>797</u>	<u>(797)</u>	<u>5,053</u>
Auditing and accounting					
Other services and charges	20,000	20,000	40,850	(20,850)	31,225
Assessing					
Other services and charges	26,950	26,950	26,129	821	25,078

City of Norwood Young America, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Legal services					
Other services and charges	\$ 39,500	\$ 39,500	\$ 51,788	\$ (12,288)	\$ 49,014
Professional services - miscellaneous					
Other services and charges	8,000	8,000	39,713	(31,713)	2,900
General government buildings					
Personal services	19,406	19,406	19,078	328	18,022
Supplies	62,750	62,750	65,076	(2,326)	64,719
Other services and charges	65,600	65,600	73,706	(8,106)	70,261
Total general government buildings	147,756	147,756	157,860	(10,104)	153,002
Total general government	768,395	768,395	813,061	(44,666)	726,427
Public safety					
Police					
Contracted services	240,508	240,508	241,015	(507)	196,659
Fire					
Personal services	116,300	116,300	121,926	(5,626)	95,930
Supplies	72,800	72,800	85,890	(13,090)	69,110
Other services and charges	40,000	40,000	34,801	5,199	39,507
Total fire	229,100	229,100	242,617	(13,517)	204,547
Building inspection					
Other services and charges	45,800	45,800	64,836	(19,036)	71,899
Civil defense					
Supplies	1,500	1,500	891	609	-
Other services and charges	300	300	204	96	191
Total	1,800	1,800	1,095	705	191
Animal control					
Other services and charges	1,850	1,850	426	1,424	1,659
Total public safety	519,058	519,058	549,989	(30,931)	474,955

City of Norwood Young America, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
General					
Personal services	\$ 346,148	\$ 346,148	\$ 308,349	\$ 37,799	\$ 295,082
Supplies	180,601	180,601	155,202	25,399	141,134
Other services and charges	344,700	344,700	286,391	58,309	307,210
Total general	<u>871,449</u>	<u>871,449</u>	<u>749,942</u>	<u>121,507</u>	<u>743,426</u>
Engineering					
Other services and charges	23,000	23,000	66,340	(43,340)	23,938
Total public works	<u>894,449</u>	<u>894,449</u>	<u>816,282</u>	<u>78,167</u>	<u>767,364</u>
Culture and recreation					
Parks					
Personal services	133,387	133,387	131,485	1,902	136,735
Supplies	52,100	52,100	60,623	(8,523)	27,305
Other services and charges	61,700	61,700	57,510	4,190	59,830
Total parks	<u>247,187</u>	<u>247,187</u>	<u>249,618</u>	<u>(2,431)</u>	<u>223,870</u>
Library					
Other services and charges	22,400	22,400	25,233	(2,833)	22,954
Swimming pool					
Personal services	41,357	41,357	39,945	1,412	38,149
Supplies	18,800	18,800	15,135	3,665	15,760
Other services and charges	14,050	14,050	8,266	5,784	9,673
Total swimming pool	<u>74,207</u>	<u>74,207</u>	<u>63,346</u>	<u>10,861</u>	<u>63,582</u>
Bus services					
Personal services	11,118	11,118	6,265	4,853	9,207
Supplies	4,900	4,900	979	3,921	3,418
Other services and charges	1,500	1,500	995	505	1,061
Total bus services	<u>17,518</u>	<u>17,518</u>	<u>8,239</u>	<u>9,279</u>	<u>13,686</u>
Total culture and recreation	<u>361,312</u>	<u>361,312</u>	<u>346,436</u>	<u>14,876</u>	<u>324,092</u>
Economic development					
Personal services	98,675	98,675	153,312	(54,637)	120,693
Supplies	1,000	1,000	-	1,000	70
Other services and charges	40,400	40,400	26,021	14,379	51,388
Total economic development	<u>140,075</u>	<u>140,075</u>	<u>179,333</u>	<u>(39,258)</u>	<u>172,151</u>
Miscellaneous					
Cemetery					
Other services and charges	6,000	6,000	2,700	3,300	-
Total current	<u>2,689,289</u>	<u>2,689,289</u>	<u>2,707,801</u>	<u>(18,512)</u>	<u>2,464,989</u>

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 2,600	\$ 2,600	\$ -	\$ 2,600	\$ 2,546
Public safety	12,000	12,000	18,695	(6,695)	12,450
Culture and recreation	10,000	10,000	3,573	6,427	14,244
Total capital outlay	<u>24,600</u>	<u>24,600</u>	<u>22,268</u>	<u>2,332</u>	<u>29,240</u>
Total Expenditures	<u>2,713,889</u>	<u>2,713,889</u>	<u>2,730,069</u>	<u>(16,180)</u>	<u>2,494,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,500</u>	<u>17,500</u>	<u>333,065</u>	<u>315,565</u>	<u>73,881</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	30,636	30,636	37,142
Transfers out	<u>(17,500)</u>	<u>(17,500)</u>	<u>-</u>	<u>17,500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>(17,500)</u>	<u>30,636</u>	<u>48,136</u>	<u>37,142</u>
Net Change in Fund Balances	-	-	363,701	363,701	111,023
Fund Balances, January 1	<u>2,151,272</u>	<u>2,151,272</u>	<u>2,151,272</u>	<u>-</u>	<u>2,040,249</u>
Fund Balances, December 31	<u>\$ 2,151,272</u>	<u>\$ 2,151,272</u>	<u>\$ 2,514,973</u>	<u>\$ 363,701</u>	<u>\$ 2,151,272</u>

City of Norwood Young America, Minnesota

Debt Service Funds
 Combining Balance Sheet
 December 31, 2023

	517	520	521	522	523	524	
	Oak Grove	Infrastructure	G.O. Refunding	G.O. Refunding	G.O. Infrastructure	G.O. Infrastructure	Total
	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	
Assets							
Cash and temporary investments	\$ 325,223	\$ 69,630	\$ 259,355	\$ 1,140,218	\$ 169,744	\$ 204,499	\$ 2,168,669
Receivables							
Special assessments	-	686	1,734	74,590	204,736	250,626	532,372
Due from other governments	-	207	-	957	-	-	1,164
Total Assets	<u>\$ 325,223</u>	<u>\$ 70,523</u>	<u>\$ 261,089</u>	<u>\$ 1,215,765</u>	<u>\$ 374,480</u>	<u>\$ 455,125</u>	<u>\$ 2,702,205</u>
Liabilities							
Deposits payable	\$ -	\$ -	\$ -	\$ 49,477	\$ -	\$ -	\$ 49,477
Deferred Inflows of Resources							
Unavailable revenue - special assessments	-	491	1,734	74,590	204,736	250,626	532,177
Fund Balances							
Restricted for							
Debt service	<u>325,223</u>	<u>70,032</u>	<u>259,355</u>	<u>1,091,698</u>	<u>169,744</u>	<u>204,499</u>	<u>2,120,551</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 325,223</u>	<u>\$ 70,523</u>	<u>\$ 261,089</u>	<u>\$ 1,215,765</u>	<u>\$ 374,480</u>	<u>\$ 455,125</u>	<u>\$ 2,702,205</u>

City of Norwood Young America, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2023

	517	520	521	522	523	524	
	Oak Grove	2013B	2016A	2020A	2021A	2022A	
	Debt Service	Infrastructure Debt Service	G.O. Refunding Debt Service	G.O. Refunding Debt Service	G.O. Infrastructure Debt Service	G.O. Infrastructure Debt Service	Total
Revenues							
Property taxes	\$ 148,549	\$ -	\$ 38,246	\$ 262,752	\$ 68,496	\$ 107,314	\$ 625,357
Special assessments	-	207	7,180	63,729	26,757	69,898	167,771
Interest on investments	13,556	2,934	10,464	49,911	6,772	6,214	89,851
Total Revenues	<u>162,105</u>	<u>3,141</u>	<u>55,890</u>	<u>376,392</u>	<u>102,025</u>	<u>183,426</u>	<u>882,979</u>
Expenditures							
Debt service							
Principal	110,000	-	-	704,728	65,000	-	879,728
Interest and other	32,850	475	36,900	121,940	12,865	63,773	268,803
Total Expenditures	<u>142,850</u>	<u>475</u>	<u>36,900</u>	<u>826,668</u>	<u>77,865</u>	<u>63,773</u>	<u>1,148,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,255	2,666	18,990	(450,276)	24,160	119,653	(265,552)
Other Financing Sources							
Transfers in	-	-	12,493	406,864	-	-	419,357
Net Change in Fund Balances	19,255	2,666	31,483	(43,412)	24,160	119,653	153,805
Fund Balances, January 1	<u>305,968</u>	<u>67,366</u>	<u>227,872</u>	<u>1,135,110</u>	<u>145,584</u>	<u>84,846</u>	<u>1,966,746</u>
Fund Balances, December 31	<u>\$ 325,223</u>	<u>\$ 70,032</u>	<u>\$ 259,355</u>	<u>\$ 1,091,698</u>	<u>\$ 169,744</u>	<u>\$ 204,499</u>	<u>\$ 2,120,551</u>

City of Norwood Young America, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Year Ended December 31, 2023

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 3,787,716	\$ 3,268,026	15.90 %
Special assessments	215,251	153,013	40.67
Licenses and permits	106,051	107,397	(1.25)
Intergovernmental	903,786	648,205	39.43
Charges for services	264,117	276,314	(4.41)
Fines and forfeitures	11,534	13,123	(12.11)
Interest on investments	316,370	80,068	295.13
Miscellaneous	79,451	174,383	(54.44)
	<u>\$ 5,684,276</u>	<u>\$ 4,720,529</u>	20.42 %
Total Revenues			
Per Capita	\$ 1,418	\$ 1,183	19.93 %
Expenditures			
Current			
General government	\$ 816,476	\$ 730,106	11.83 %
Public safety	549,989	474,955	15.80
Public works	897,380	788,114	13.86
Culture and recreation	348,848	346,553	0.66
Economic development	266,648	263,418	1.23
Miscellaneous	2,700	-	100.00
Capital outlay			
General government	-	2,546	(100.00)
Public safety	80,806	89,712	(9.93)
Public works	1,389,529	1,475,266	(5.81)
Culture and recreation	826,426	197,674	318.08
Debt service			
Principal	879,728	924,248	(4.82)
Interest and other charges	390,934	338,182	15.60
	<u>\$ 6,449,464</u>	<u>\$ 5,630,774</u>	14.54 %
Total Expenditures			
Per Capita	\$ 1,609	\$ 1,411	14.08 %
Total Long-term Indebtedness			
Per Capita	2,504	2,192	14.23
General Fund Balance - December 31			
Per Capita	627	539	16.44

The purpose of this report is to provide a summary of financial information concerning the City of Norwood Young America interested citizens. The complete financial statements may be examined at City Hall, 310 Elm St W, Norwood Young America, MN 55368. Questions about this report should be directed to Mitchell Thiesfeld, Clerk-Finance Director at (952) 467-1800.

OTHER REQUIRED REPORTS
CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Norwood Young America, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2024.

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

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



Abdo
Minneapolis, Minnesota
August 16, 2024

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

Honorable Mayor and City Council
City of Norwood Young America, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and response as finding 2023-001 & 2023-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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.

The City's Responses to the Findings

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
August 16, 2024



City of Norwood Young America, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over and the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from Banyon to the amounts reported in the financial statements.
<i>Management Response:</i>	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Norwood Young America, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit we reviewed procedures over cash disbursements, payroll, utility billing, financial reporting, and capital assets and found the City to have limited segregation of duties over those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, in the disbursement cycle, the accountant has access to checks, ability to posts to the general ledger, and prepares bank reconciliations. In the payroll cycle, the Accountant has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the City Council approves rates but the Accountant reconciles the amounts billed and collected in the system and posts to the general ledger. The majority of the collections of utility payments are now collected through Opus 21, however the Accountant is responsible for all the recording and reconciling. In the financial reporting and capital asset transaction cycles, the Accountant performs all of the duties.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.
<i>Management Response:</i>	
	Management recognizes that it is not economically feasible to correct this finding, however is aware of the deficiency and is relying on oversight by management and the City Council to monitor this deficiency.