



CITY OF ANNANDALE COUNCIL MEETING AGENDA

Meeting #9
Special Meeting
City Council Chambers

June 26, 2023
12:00 P.M.

Mayor: Shelly Jonas
Councilmember's: Matthew Wuollet
Corey Czycalla
Tina Honsey
JT Grundy

For those who would like to view or listen to the public meeting:

Online: <https://us02web.zoom.us/j/81264302013?pwd=bVlhQ1NoR2FsUDhraWorQXdBWDE4dz09>

Webinar ID: 812 6430 2013

Passcode: 144407

1. CALL TO ORDER/ROLL CALL/ADOPT AGENDA
2. NEW BUSINESS
 - A. 2022 Audit
10. MAYOR/COUNCIL REPORTS
11. ADJOURNMENT



City Council Agenda

June 5, 2023

Agenda Section: New Business

Agenda No. 2A

Report From: Kelly Hinnenkamp, Admin

Agenda Item: 2022 Audit

Core Strategy:

- | | |
|---|--|
| <input type="checkbox"/> Inspire Community Engagement | <input type="checkbox"/> Provide Proactive Leadership |
| <input type="checkbox"/> Increase Operational Effectiveness | <input type="checkbox"/> Ensure Safe/Well Kept Community |
| <input type="checkbox"/> Enhance Local Business Environment | <input checked="" type="checkbox"/> Other: Compliance |
| <input type="checkbox"/> Develop/Manage Strong Parks/Trails | |

Background

Attached is the 2022 Audit Report. The City's Auditor will present the report at the meeting.

The City is required to file the report to the State Auditor by June 30, 2023.

Recommended Action

Approve 2022 Audit Report as presented.

Attachments:

2022 Audit Report

**CITY OF ANNANDALE
ANNANDALE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

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CITY OF ANNANDALE, MINNESOTA

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CITY OF ANNANDALE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shelly Jonas	Mayor	December 31, 2022
Corey Czycalla	Council Member	December 31, 2022
Tina Honsey	Council Member	December 31, 2022
James Grundy	Council Member	December 31, 2024
Matthew Wuollet	Council Member	December 31, 2024

APPOINTED

<u>Name</u>	<u>Title</u>
Kelly Hinnenkamp	Administrator
Stephanie Nilson	Accountant
Jen Holm	Deputy Clerk
Kris Townsend	Fire Chief
Peter Standafer	Police Chief
Joseph Haller	Public Works



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Mankato, MN 56001
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Annandale, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annandale, Minnesota (the City), as of and for the year ended December 31, 2022, 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 accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance 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 (GAAS) 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 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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'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 GAAS 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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and pension liability schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 20, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023, 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 City's internal control over financial reporting and compliance.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Annandale (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, 2022.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23,402,770 (net position). Of this amount, \$6,286,240 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$21,829,901, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of 6,698,933. \$3,611,246 of this total amount, over 53%, is available for use within the City's designations.
- (4) At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,939,963, or 75%, of total General fund expenditures.
- (5) The City had an increase in net position for governmental activities of \$2,719,258 and a decrease of \$295,197 for business-type activities during the current fiscal year, with an overall increase of \$2,424,061.

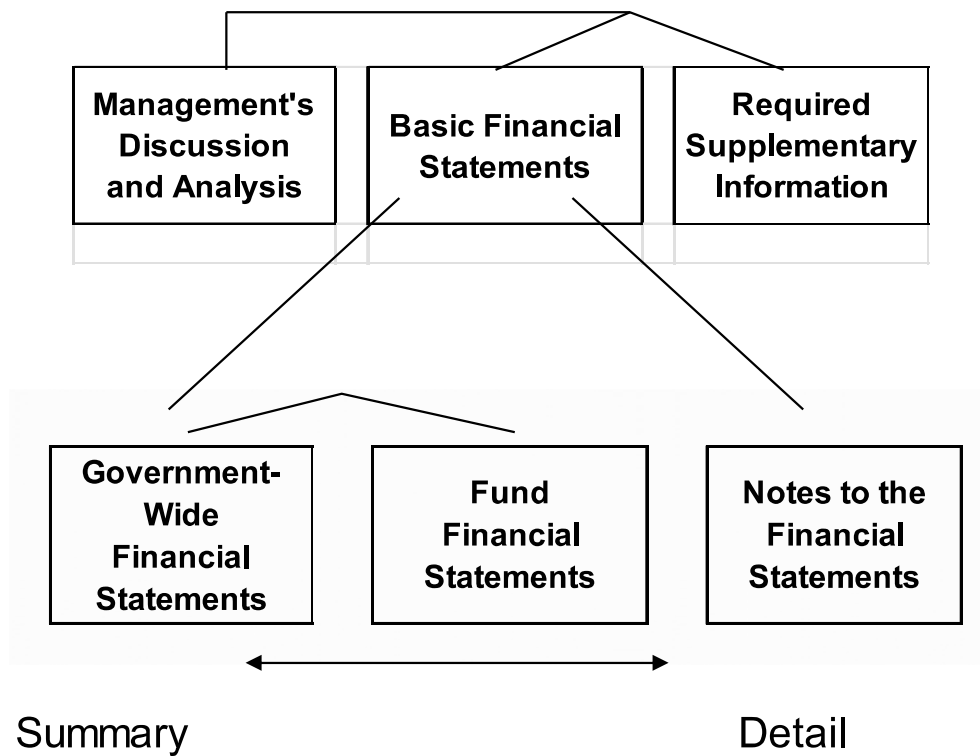
CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

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 explain and support the information in the financial statements. Figure 1 shows how the required parts of the 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**



CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

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 the 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

	Government-wide Statements	Fund Financial 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 Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset included	All assets and liabilities, both financial and capital, and short-term and long-term
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.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

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). The 2022 Statement provides for an increase in net position in the governmental funds and a decrease in the business-type activities, additionally the investment in capital assets increased in the governmental activities and decreased in the business-type activities.

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

The government-wide financial statements can be found on pages 20 - 22 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds 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 thirty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Fire Equipment fund and Debt Service funds. Data from the debt service and other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these debt service and nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 23 - 27 of this report.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Proprietary Funds

The City maintains only one type of Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

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

The basic Proprietary fund financial statements can be found on pages 28 - 33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 35 - 69 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's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 71 of this report.

Other Information

The combining statements and schedules referred to earlier in connection with debt service and nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start 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 by \$23,402,770 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 ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

A condensed version of the Statement of Net Position on December 31, 2022, follows:

City of Annandale's Summary of Net Position

	Governmental Activities			Business-type Activities		
	<i>2022</i>	<i>2021</i>	Increase (Decrease)	<i>2022</i>	<i>2021</i>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 8,917,678	\$ 6,503,698	\$ 2,413,980	\$ 1,271,998	\$ 717,499	\$ 554,499
Equity interest	-	-	-	6,154,083	6,581,047	(426,964)
Capital assets	10,751,864	10,346,147	405,717	11,078,037	11,338,638	(260,601)
	<u>19,669,542</u>	<u>16,849,845</u>	<u>2,819,697</u>	<u>18,504,118</u>	<u>18,637,184</u>	<u>(133,066)</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	2,011,026	893,143	1,117,883	254,899	148,309	106,590
<i>Liabilities</i>						
Current liabilities	3,639,617	1,047,441	2,592,176	1,563,892	1,454,225	109,667
Long-term liabilities	5,287,098	6,295,778	(1,008,680)	5,544,361	5,318,314	226,047
	<u>8,926,715</u>	<u>7,343,219</u>	<u>1,583,496</u>	<u>7,108,253</u>	<u>6,772,539</u>	<u>335,714</u>
<i>Deferred Inflows of Resources</i>						
Lease deferments	49,833	-	49,833	-	-	-
Pension plan deferments	849,986	1,264,993	(415,007)	102,028	169,021	(66,993)
	<u>899,819</u>	<u>1,264,993</u>	<u>(365,174)</u>	<u>102,028</u>	<u>169,021</u>	<u>(66,993)</u>
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	<u>\$ 11,854,034</u>	<u>\$ 9,134,776</u>	<u>\$ 2,719,258</u>	<u>\$ 11,548,736</u>	<u>\$ 11,843,933</u>	<u>\$ (295,197)</u>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 4,441,352	\$ 4,013,792	\$ 427,560	\$ 8,778,920	\$ 10,152,637	\$ (1,373,717)
Restricted	3,662,247	1,894,021	1,768,226	234,011	193,087	40,924
Unrestricted	3,750,435	3,226,963	523,472	2,535,805	1,498,209	1,037,596
Total net position	<u>\$ 11,854,034</u>	<u>\$ 9,134,776</u>	<u>\$ 2,719,258</u>	<u>\$ 11,548,736</u>	<u>\$ 11,843,933</u>	<u>\$ (295,197)</u>

Assets of the governmental activities increased in 2022 by \$2,819,697. This increase was predominantly a result of notes issued to retire a temporary bond related to infrastructure on a completed construction project. The change in equity interest of a joint venture was the primary reason total assets decreased for the business-type activities. The increase in long-term liabilities of both the governmental activities and business-type activities is associated with scheduled principal payments on long-term debt outstanding, offset by a significant increase in their net pension liabilities.

A 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 \$6,286,240 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 for the government activities and the business-type activities.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Governmental and business-type activities increased the City's net position by \$2,424,380. Key elements of this increase are as follows:

City of Annandale's Changes in Net Position

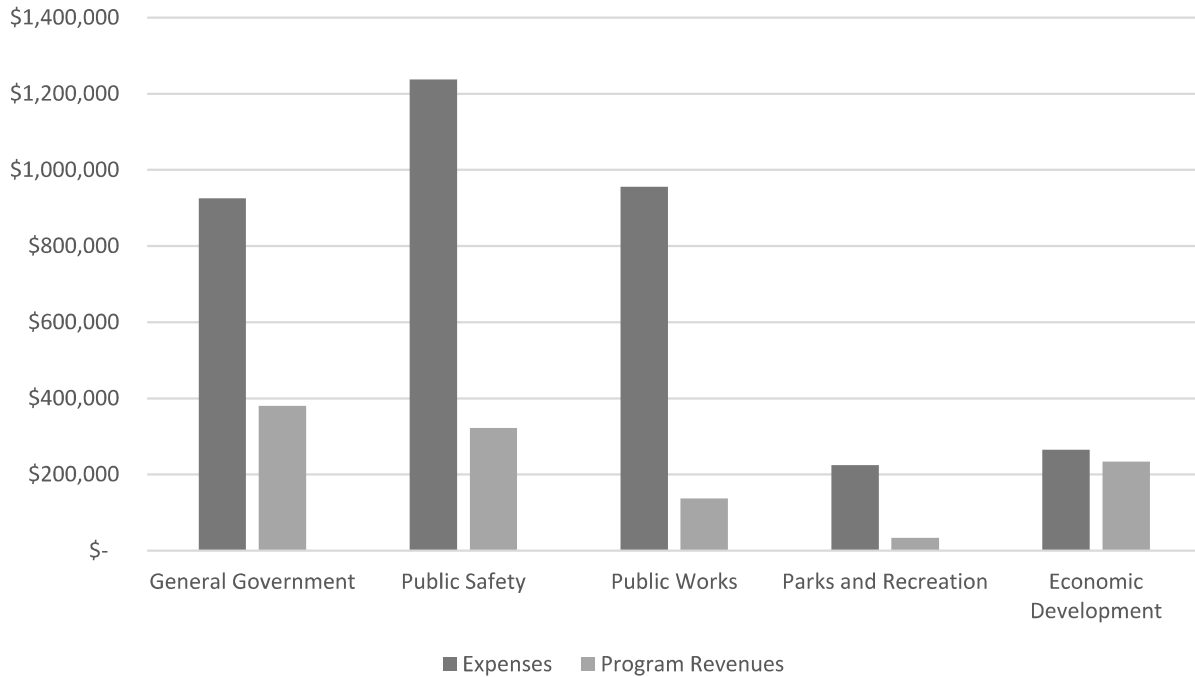
	Governmental Activities			Business-type Activities		
	<i>2022</i>	<i>2021</i>	Increase (Decrease)	<i>2022</i>	<i>2021</i>	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 741,658	\$ 655,479	\$ 86,179	\$ 2,092,493	\$ 2,114,987	\$ (22,494)
Operating grants and contributions	326,416	379,145	(52,729)	-	-	-
Capital grants and contributions	39,269	517,567	(478,298)	918,205	1,114,529	(196,324)
General revenues						-
Property taxes	1,762,946	1,574,771	188,175	-	-	-
Intergovernmental	745,785	723,241	22,544	-	-	-
Other sources	644,198	357,542	286,656	1,556,320	244,418	1,311,902
Total Revenue	<u>4,260,272</u>	<u>4,207,745</u>	<u>52,527</u>	<u>4,567,018</u>	<u>3,473,934</u>	<u>1,093,084</u>
<i>Expenses</i>						
General Government	926,000	711,693	214,307	-	-	-
Public Safety	1,237,908	1,045,329	192,579	-	-	-
Public Works	955,443	795,403	160,040	-	-	-
Parks and Recreation	224,300	173,163	51,137	-	-	-
Economic development	265,473	216,818	48,655	-	-	-
Water	-	-	-	616,980	538,797	78,183
Sewer	-	-	-	1,264,425	1,142,684	121,741
Refuse	-	-	-	235,803	189,224	46,579
Storm water	-	-	-	88,948	91,480	(2,532)
Interest on long-term debt	160,985	160,695	290	-	-	-
Total Expenses	<u>3,770,109</u>	<u>3,103,101</u>	<u>667,008</u>	<u>2,206,156</u>	<u>1,962,185</u>	<u>243,971</u>
Change in equity interest	-	-	-	(426,964)	(151,645)	(275,319)
Transfer	2,229,095	(1,596,093)	3,825,188	(2,229,095)	1,596,093	(3,825,188)
Total change in equity and transfers	<u>2,229,095</u>	<u>(1,596,093)</u>	<u>3,825,188</u>	<u>(2,656,059)</u>	<u>1,444,448</u>	<u>(4,100,507)</u>
Change in Net Position	2,719,258	(491,449)	3,210,707	(295,197)	2,956,197	(3,251,394)
Net position - January 1	<u>9,134,776</u>	<u>9,626,225</u>	<u>(491,449)</u>	<u>11,843,933</u>	<u>8,887,736</u>	<u>2,956,197</u>
Net position - December 31	<u>\$ 11,854,034</u>	<u>\$ 9,134,776</u>	<u>\$ 2,719,258</u>	<u>\$ 11,548,736</u>	<u>\$ 11,843,933</u>	<u>\$ (295,197)</u>

Net position for the governmental activities increased \$2,719,258 in 2022, this was an increase of \$3,210,707 from the prior year. The majority of the change was due to transfers from the business-type activities. Expenses of the governmental activities experienced an increase of \$667,008 related to increased spending in the general fund. Business-type net position decreased \$295,197, which was a decrease of \$3,251,394 over the prior year. Increased transfers along with a deficit change in the equity interest of the joint venture resulted in the overall reduced change in net position.

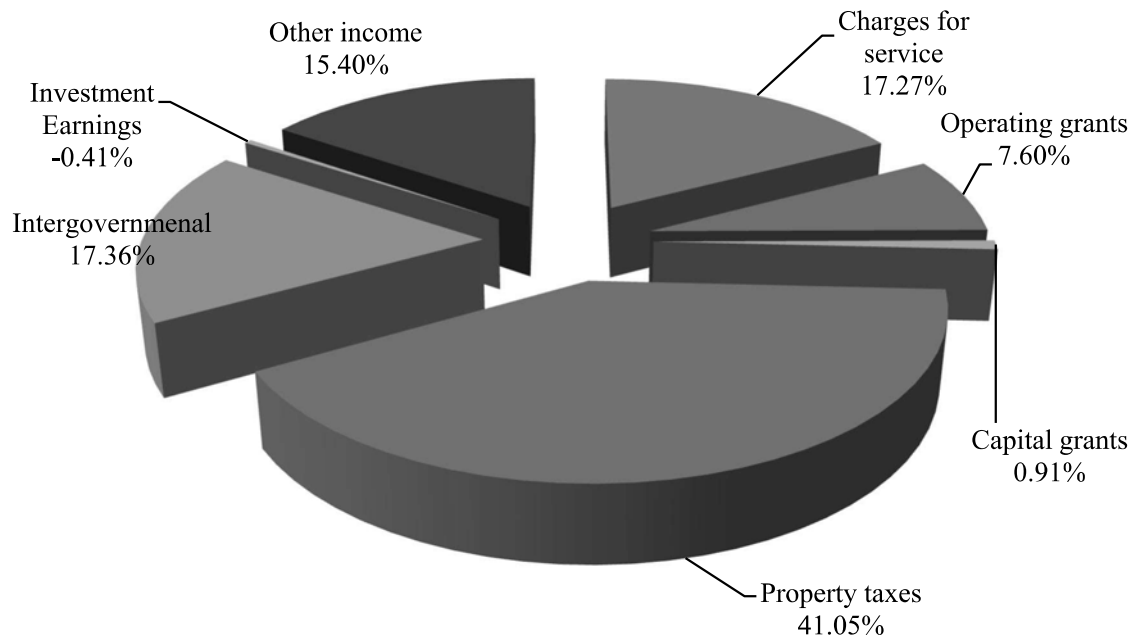
CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues – Governmental Activities



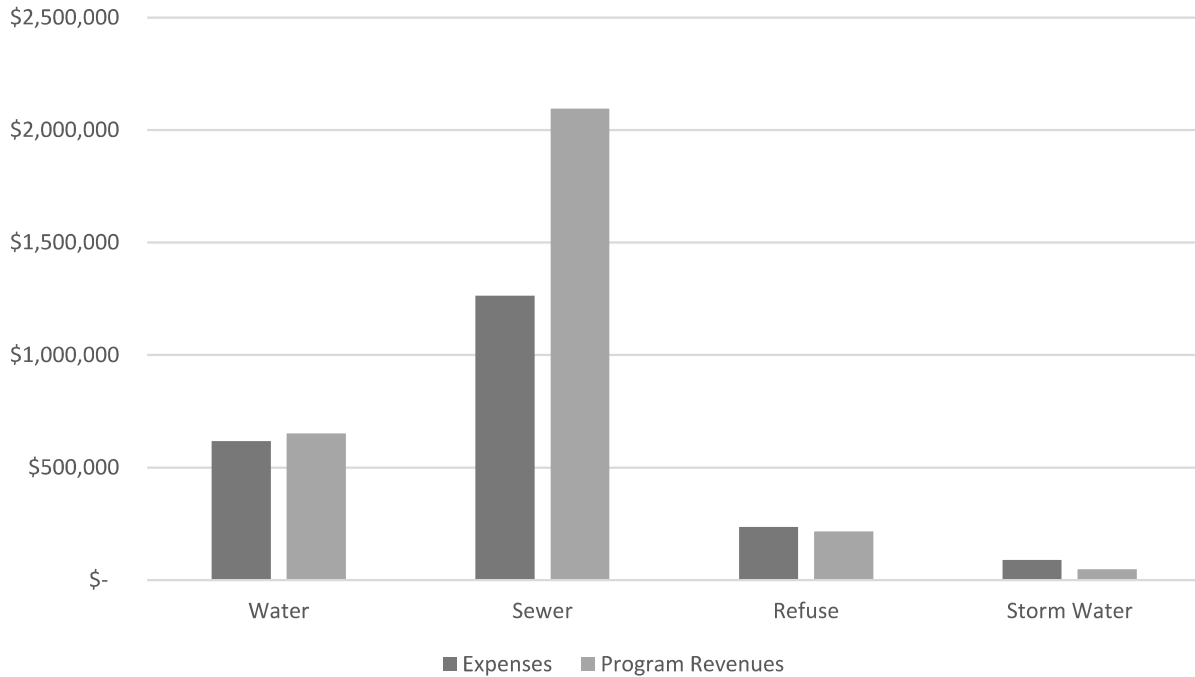
Revenues by Source – Governmental Activities



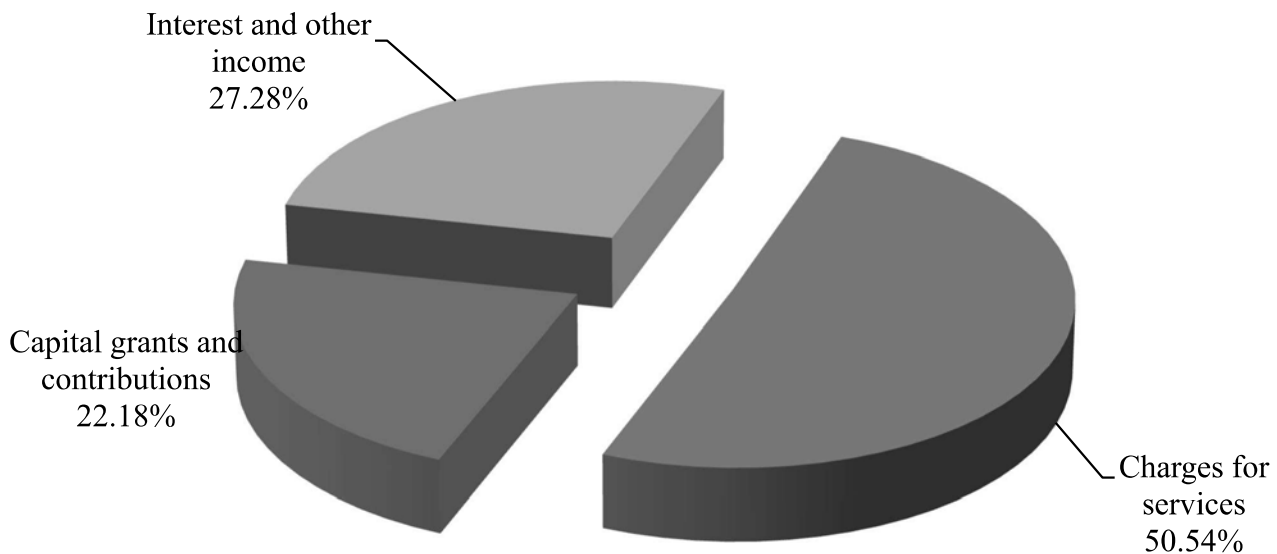
CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

Expenses and Program Revenues – Business-Type Activities



Revenue by Source – Business-Type Activities



CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

FUND FINANCIAL ANALYSIS

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 financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,698,933. The unreserved fund balance constitutes \$3,611,246 of the total combined ending fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of \$3,087,687.

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 was \$2,287,707. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents 54% of total 2022 actual expenditures. The General fund balance decreased \$267,037, during the year, primarily due to transfers out.

The Debt Service fund had a fund balance increase of \$1,837,114. The fund was established to properly account for the resources necessary to meet debt service requirements.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finance of the fund have already been addressed in the discussion of the City's business-type activities.

The City's Proprietary funds have unrestricted net position as follows:

Water fund	\$	682,848
Sewer fund		1,823,638
Refuse fund		17,787
Storm water fund		11,532

BUDGETARY HIGHLIGHTS

General Fund.

The City increased its general tax levy collectible in 2022 by 34.0% from the 2021 levy. Local government aid from the state has stabilized and with budget surpluses at the state level in the last few years it appears that source of revenue is in good shape. There were no budget amendments during the year, and the City budgeted expenditures to exceed revenues by \$20,307.

Revenues were over the budgeted sources by \$398,030, with the following significant variances:

- Intergovernmental revenue of \$226,581
- Licenses and permits of \$71,969
- Other revenues of \$114,346

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Expenditures were over the budgeted appropriations by \$313,566, with the following significant variances:

- General government was over budget by \$152,442
- Public safety was over budget by \$92,356

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The city continued to invest in capital equipment to provide the best services for its residents. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$21,829,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- City Hall improvement
- Big Woods park equipment
- 2022 Pierce Freightliner HDR rescue truck
- SCBA equipment
- 2022 Durango Pursuit
- Hemlock project improvement
- Mini excavator
- Lake John utility extension

City of Annandale's Capital Assets

	Governmental Activities			Business-type Activities		
	<u>2022</u>	<u>2021</u>	Increase (Decrease)	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Land	\$ 2,463,708	\$ 2,463,708	\$ -	\$ 277,948	\$ 277,948	\$ -
Buildings and improvements	5,126,283	5,056,413	69,870	4,187,883	4,187,883	-
Equipment	3,612,677	2,830,983	781,694	320,753	320,753	-
Infrastructure	22,585,645	22,585,645	-	13,028,819	13,028,819	-
Construction in progress	684,803	585,422	99,381	158,896	-	158,896
Total	\$ 34,473,116	\$ 33,522,171	\$ 950,945	\$ 17,974,299	\$ 17,815,403	\$ 158,896

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of \$15,325,234. This consisted of \$4,941,000 for G.O. improvement bonds/notes, \$617,000 for G.O. certificates, \$710,000 for G.O. tax increment bonds, \$6,519,116 for G.O. revenue bonds, \$2,409,411 for net pension liability, \$86,197 for compensated absences, and \$42,510 for bond premiums. State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statement.

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Key elements of long-term debt are as follows:

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 6,268,000	\$ 6,289,000	\$ (21,000)
Bond Premium/discount	42,510	43,355	(845)
Net Pension Liabilities	2,070,391	532,230	1,538,161
Compensated Absences	86,197	69,193	17,004
Total	<u>8,467,098</u>	<u>6,933,778</u>	<u>\$ 1,533,320</u>
Business-type Activities:			
General Obligation Revenue Bonds	6,519,116	6,404,000	115,116
Net Pension Liabilities	339,020	168,314	170,706
Total	<u>6,858,136</u>	<u>6,572,314</u>	<u>285,822</u>
Total Long-term Liabilities	<u>\$ 15,325,234</u>	<u>\$ 13,506,092</u>	<u>\$ 1,819,142</u>
Bonded Debt:			
General Obligation Bonds	\$ 6,268,000	\$ 6,289,000	\$ (21,000)
General Obligation Revenue Bonds	<u>6,519,116</u>	<u>6,404,000</u>	<u>115,116</u>
Total Bonded Debt	<u>\$ 12,787,116</u>	<u>\$ 12,693,000</u>	<u>\$ 94,116</u>

FACTORS BEARING ON THE CITY'S FUTURE

The economic outlook for Wright County remains stable. The economy around the Annandale area remains strong with continued strong land prices. The tax capacity of the City increased by \$155,056, or 5.3%, between 2021 and 2022. New construction, particularly home construction, contributed to this increase along with an increase in market valuations for residential properties. New construction was stable in 2022, with 30 permits approved for new homes. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward. All of these factors were considered in preparing the City's budget for 2022 and will be for the 2023 fiscal year as well.

For the 2022 fiscal year, general fund revenue and expenditure projections remained conservative. The 2022 general fund budget for revenues was \$2,605,790.00 and expenditures was \$2,605,790.00. The 2022 general fund budget includes funding for the following:

- Legislative Functions of the City
- Operational expenses including wages, utilities and supplies for administering the Planning and Zoning, Administration, Public Safety, Police and Fire and Public Works functions of the City
- Capital Expenditure Transfers to cover capital outlay for the Administration, Public Safety and Public Works functions of the City.

The 2022 proprietary fund (water, sewer, refuse and storm water) budget is \$3,308,895 for revenues and \$3,207,233 for expenditures, resulting in a net gain of \$101,661. Reflected in the 2022 budget is a 2% general rate increase in water rates, 2.5% increase in sewer rates and a 1.75% rate increase in refuse and storm water rates. The 2022 proprietary fund budget includes funding for the following:

- Operational expenses including wages, utilities and supplies related to water, sewer, refuse and storm water services
- Debt service expenses related to water, sewer, refuse and storm water funds

CITY OF ANNANDALE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Annandale, 30 Cedar Street East, Annandale, MN, 55302.

BASIC FINANCIAL STATEMENTS

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and Investments	\$ 5,988,004	\$ 727,748	\$ 6,715,752
Restricted Cash	0	234,011	234,011
Receivables:			
Accounts	6,963	192,184	199,147
Intergovernmental	51,147	23,675	74,822
Property Taxes	68,996	0	68,996
Leases	51,143	0	51,143
Notes, Net of Allowance	110,321	0	110,321
Prepaid Expenses	103,648	30,461	134,109
Special Assessments	796,380	5,218	801,598
Property Held for Sale	845,855	0	845,855
Internal Balances	(58,700)	58,700	0
Equity Interest in Joint Venture	0	6,154,083	6,154,083
Capital Assets:			
Assets not Being Depreciated	3,148,511	436,844	3,585,355
Other Capital Assets, Net of Depreciation	7,603,353	10,641,193	18,244,546
Net Pension Asset	<u>953,921</u>	<u>0</u>	<u>953,921</u>
Total Assets	<u>19,669,542</u>	<u>18,504,117</u>	<u>38,173,659</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	<u>2,011,026</u>	<u>254,899</u>	<u>2,265,925</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,680,568</u>	<u>\$ 18,759,016</u>	<u>\$ 40,439,584</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accrued Expenses	\$ 345,824	\$ 150,843	\$ 496,667
Due to Other Governments	643	99,273	99,916
Current Portion of Long-term Debt	3,180,000	1,313,775	4,493,775
Compensated Absences	86,197	0	86,197
Unearned Revenue	113,150	0	113,150
Long-term Debt, Net of Current Portion	3,130,510	5,205,341	8,335,851
Net Pension Liability	<u>2,070,391</u>	<u>339,020</u>	<u>2,409,411</u>
Total Liabilities	<u>8,926,715</u>	<u>7,108,252</u>	<u>16,034,967</u>
Deferred Inflows of Resources:			
Lease Deferments	49,833	0	49,833
Pension Plan Deferments	<u>849,986</u>	<u>102,028</u>	<u>952,014</u>
Total Deferred Inflows of Resources	<u>899,819</u>	<u>102,028</u>	<u>1,001,847</u>
Net Position:			
Net Investment in Capital Assets	4,441,352	8,778,920	13,220,272
Restricted	3,662,247	234,011	3,896,258
Unrestricted	<u>3,750,435</u>	<u>2,535,805</u>	<u>6,286,240</u>
Total Net Position	<u>11,854,034</u>	<u>11,548,736</u>	<u>23,402,770</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 21,680,568</u>	<u>\$ 18,759,016</u>	<u>\$ 40,439,584</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF ANNANDALE, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 926,000	\$ 380,244	\$ 0	\$ 0
Public Safety	1,237,908	199,419	123,053	0
Public Works	955,443	97,499	0	39,269
Parks and Recreation	224,300	33,870	0	0
Economic Development	265,473	30,626	203,363	0
Interest on Long-term Debt	160,985	0	0	0
Total Governmental Activities	<u>3,770,109</u>	<u>741,658</u>	<u>326,416</u>	<u>39,269</u>
BUSINESS-TYPE ACTIVITIES:				
Water	616,980	651,471	0	0
Sewer	1,264,425	1,176,791	0	918,205
Refuse	235,803	216,132	0	0
Storm Water	88,948	48,099	0	0
Total Business-type Activities	<u>2,206,156</u>	<u>2,092,493</u>	<u>0</u>	<u>918,205</u>
Total Primary Government	<u>\$ 5,976,265</u>	<u>\$ 2,834,151</u>	<u>\$ 326,416</u>	<u>\$ 957,474</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Change in Equity Interest

Total General Revenues

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 (Expenses) Revenues and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total Primary Government
\$ (545,756)	\$ 0	\$ (545,756)
(915,436)	0	(915,436)
(818,675)	0	(818,675)
(190,430)	0	(190,430)
(31,484)	0	(31,484)
<u>(160,985)</u>	<u>0</u>	<u>(160,985)</u>
<u>(2,662,766)</u>	<u>0</u>	<u>(2,662,766)</u>
0	34,491	34,491
0	830,571	830,571
0	(19,671)	(19,671)
<u>0</u>	<u>(40,849)</u>	<u>(40,849)</u>
<u>0</u>	<u>804,542</u>	<u>804,542</u>
<u>(2,662,766)</u>	<u>804,542</u>	<u>(1,858,224)</u>
1,537,487	0	1,537,487
130,000	0	130,000
95,459	0	95,459
745,785	0	745,785
(17,469)	(8,880)	(26,349)
661,667	1,565,200	2,226,867
2,229,095	(2,229,095)	0
<u>0</u>	<u>(426,964)</u>	<u>(426,964)</u>
<u>5,382,024</u>	<u>(1,099,739)</u>	<u>4,282,285</u>
2,719,258	(295,197)	2,424,061
<u>9,134,776</u>	<u>11,843,933</u>	<u>20,978,709</u>
<u>\$ 11,854,034</u>	<u>\$ 11,548,736</u>	<u>\$ 23,402,770</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service Funds	Fire Equipment	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,556,441	\$ 2,735,267	\$ 167,981	\$ 1,528,315	\$ 5,988,004
Receivables:					
Accounts	4,489	0	231	2,243	6,963
Intergovernmental	47,630	0	0	3,517	51,147
Property Taxes	68,996	0	0	0	68,996
Leases	0	0	0	51,143	51,143
Notes	0	0	0	110,321	110,321
Prepaid Expense	100,941	0	0	2,707	103,648
Due from Other Funds	884,731	0	0	0	884,731
Special Assessments	4,486	768,409	0	23,485	796,380
Land Held for Sale	0	0	0	845,855	845,855
Advance to Other Funds	0	0	0	105,238	105,238
TOTAL ASSETS	\$ 2,667,714	\$ 3,503,676	\$ 168,212	\$ 2,672,824	\$ 9,012,426
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accrued Expenses	\$ 176,672	\$ 0	\$ 0	\$ 103,932	\$ 280,604
Unearned Revenue	113,150	0	0	0	113,150
Due to Other Funds	0	22,491	0	862,240	884,731
Due to Other Governments	643	0	0	0	643
Advance from Other Funds	58,350	0	0	105,588	163,938
Total Liabilities	<u>348,815</u>	<u>22,491</u>	<u>0</u>	<u>1,071,760</u>	<u>1,443,066</u>
Deferred Inflows of Resources:					
Lease Deferrals	0	0	0	49,833	49,833
Unavailable Revenue	31,192	765,917	0	23,485	820,594
Total Deferred Inflows of Resources	<u>31,192</u>	<u>765,917</u>	<u>0</u>	<u>73,318</u>	<u>870,427</u>
Fund Balance:					
Nonspendable	100,941	0	0	2,707	103,648
Restricted	0	2,737,759	0	246,280	2,984,039
Committed	0	0	0	1,036,935	1,036,935
Assigned	246,803	0	168,212	1,171,130	1,586,145
Unassigned	1,939,963	(22,491)	0	(929,306)	988,166
Total Fund Balance	<u>2,287,707</u>	<u>2,715,268</u>	<u>168,212</u>	<u>1,527,746</u>	<u>6,698,933</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,667,714	\$ 3,503,676	\$ 168,212	\$ 2,672,824	\$ 9,012,426

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2022

Total Fund Balances - Governmental Funds \$ 6,698,933

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

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

Cost of capital assets	34,473,116
Less: Accumulated depreciation	(23,721,252)

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

Bonds payable	(6,268,000)
Discount/Premiums	(42,510)
Compensated absences payable	(86,197)

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

Delinquent property taxes	31,192
Special assessments	789,402

Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance

Net pension liability - general employees retirement pension fund	(643,065)
Net pension liability - public employees police and fire pension fund	(1,427,326)
Net pension asset - volunteer firemen's relief pension fund	953,921

Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance

Deferred outflows of resources related to pensions	2,011,026
Deferred inflows of resources related to pensions	(849,986)

Governmental funds do not report a liability for accrued interest payable until due and payable.

(65,217)

Total Net Position - Governmental Activities	<u><u>\$ 11,854,034</u></u>
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CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General	Debt Service Funds	Fire Equipment	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,515,118	\$ 130,000	\$ 0	\$ 2,500	\$ 1,647,618
Franchise Fees	16,240	0	0	0	16,240
Tax Increment	0	0	0	95,459	95,459
Special Assessments	0	140,803	0	0	140,803
Intergovernmental	868,838	0	0	203,363	1,072,201
Licenses and Permits	152,269	0	0	0	152,269
Charges for Services	499,453	0	0	79,407	578,860
Fines and Fees	10,529	0	0	0	10,529
Other Revenues	114,518	0	97,400	361,520	573,438
Investment Earnings	(3,045)	(7,614)	(1,646)	(5,164)	(17,469)
Total Revenues	<u>3,173,920</u>	<u>263,189</u>	<u>95,754</u>	<u>737,085</u>	<u>4,269,948</u>
Expenditures:					
Current:					
General Government	738,877	0	0	31,438	770,315
Public Safety	1,146,414	0	146,840	40,522	1,333,776
Public Works	480,798	0	0	60,393	541,191
Parks and Recreation	182,537	0	0	12,085	194,622
Economic Development	0	0	0	242,744	242,744
Capital Outlay:					
General Government	9,400	0	0	67,829	77,229
Public Safety	1,162	0	675,715	71,070	747,947
Public Works	5,000	0	0	158,629	163,629
Parks and Recreation	19,175	0	0	78,044	97,219
Economic Development	0	0	0	22,729	22,729
Debt Service:					
Principal	0	638,000	0	0	638,000
Interest and Fiscal Fees	0	144,455	14,840	0	159,295
Total Expenditures	<u>2,583,363</u>	<u>782,455</u>	<u>837,395</u>	<u>785,483</u>	<u>4,988,696</u>
Excess of Revenue Over (Under) Expenditures	<u>590,557</u>	<u>(519,266)</u>	<u>(741,641)</u>	<u>(48,398)</u>	<u>(718,748)</u>
Other Financing Sources (Uses):					
Bond Proceeds	0	12,285	604,715	0	617,000
Transfers In	13,152	2,344,095	145,000	669,206	3,171,453
Transfers Out	(870,746)	0	0	(71,612)	(942,358)
Sale of Capital Assets	0	0	9,631	76,358	85,989
Total Other Financing Sources (Uses)	<u>(857,594)</u>	<u>2,356,380</u>	<u>759,346</u>	<u>673,952</u>	<u>2,932,084</u>
Change in Fund Balance	(267,037)	1,837,114	17,705	625,554	2,213,336
Fund Balance - January 1	<u>2,554,744</u>	<u>878,154</u>	<u>150,507</u>	<u>902,192</u>	<u>4,485,597</u>
Fund Balance - December 31	<u>\$ 2,287,707</u>	<u>\$ 2,715,268</u>	<u>\$ 168,212</u>	<u>\$ 1,527,746</u>	<u>\$ 6,698,933</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

Net Change in Fund Balances - Governmental Funds \$ 2,213,336

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,074,653
Depreciation expense	(654,938)
Loss on disposed asset	(14,000)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.

Principal repayments	638,000
Bond proceeds	(617,000)

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 accrued, regardless of when it is due.

(1,690)

Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

Pension expense	179,568
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Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	19,869
Special assessments	(101,534)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(17,003)
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Change in Net Position - Governmental Activities \$ 2,719,258

ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2022

	Budget			Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 1,528,097	\$ 1,528,097	\$ 1,515,118	\$ (12,979)
Franchise Fees	17,000	17,000	16,240	(760)
Intergovernmental	642,257	642,257	868,838	226,581
Licenses and Permits	80,300	80,300	152,269	71,969
Charges for Services	466,036	466,036	499,453	33,417
Fines	12,200	12,200	10,529	(1,671)
Other Revenues	0	0	114,518	114,518
Investment Earnings	30,000	30,000	(3,045)	(33,045)
Total Revenues	<u>2,775,890</u>	<u>2,775,890</u>	<u>3,173,920</u>	<u>398,030</u>
Expenditures:				
Current:				
General Government	585,944	585,944	738,877	152,933
Public Safety	1,054,058	1,054,058	1,146,414	92,356
Public Works	461,242	461,242	480,798	19,556
Parks and Recreation	164,453	164,453	182,537	18,084
Capital Outlay:				
General Government	2,600	2,600	9,400	6,800
Public Safety	1,500	1,500	1,162	(338)
Public Works	0	0	5,000	5,000
Park and Recreation	0	0	19,175	19,175
Total Expenditures	<u>2,269,797</u>	<u>2,269,797</u>	<u>2,583,363</u>	<u>313,566</u>
Excess of Revenues Over (Under) Expenditures	506,093	506,093	590,557	84,464
Other Financing Sources (Uses):				
Transfers Out	(526,400)	(526,400)	(870,746)	344,346
Transfers In	0	0	13,152	13,152
Total Other Financing Sources (Uses)	<u>(526,400)</u>	<u>(526,400)</u>	<u>(857,594)</u>	<u>(331,194)</u>
Change in Fund Balance	<u>\$ (20,307)</u>	<u>\$ (20,307)</u>	(267,037)	<u>\$ (246,730)</u>
Fund Balance - January 1			<u>2,554,744</u>	
Fund Balance - December 31			<u>\$ 2,287,707</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and Investments	\$ 641,574	\$ 52,342	\$ 26,969
Accounts Receivable	54,522	109,641	23,351
Due from Other Governments	6,275	17,400	0
Prepaid Expense	14,544	14,937	980
Total Current Assets	<u>716,915</u>	<u>194,320</u>	<u>51,300</u>
Noncurrent Assets:			
Advance to Other Funds	58,700	0	0
Special Assessments	2,609	2,609	0
Restricted Cash	0	234,011	0
Equity Interest in Joint Venture	0	6,154,083	0
Capital Assets Not Being Depreciated	143,700	273,144	20,000
Other Capital Asses, Net of Depreciation	4,803,307	3,677,421	253
Total Noncurrent Assets	<u>5,008,316</u>	<u>10,341,268</u>	<u>20,253</u>
Total Assets	<u>5,725,231</u>	<u>10,535,588</u>	<u>71,553</u>
Deferred Outflows of Resources:			
Pension Plan Deferments	<u>94,318</u>	<u>141,675</u>	<u>18,906</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,819,549</u>	<u>\$ 10,677,263</u>	<u>\$ 90,459</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accrued Expenses	\$ 24,711	\$ 107,668	\$ 18,463
Due to Other Governments	1,786	96,243	1,244
Current Portion of Long-term Debt	285,413	1,028,362	0
Total Current Liabilities	<u>311,910</u>	<u>1,232,273</u>	<u>19,707</u>
Long-term Liabilities:			
Revenue Notes Payable	1,712,632	3,492,709	0
Net Pension Liability	125,445	188,430	25,145
Total Liabilities	<u>2,149,987</u>	<u>4,913,412</u>	<u>44,852</u>
Deferred Inflows of Resources:			
Pension Plan Deferments	<u>37,753</u>	<u>56,708</u>	<u>7,567</u>
Net Position:			
Net Investment in Capital Assets	2,948,961	3,649,494	20,253
Restricted	0	234,011	0
Unrestricted	682,848	1,823,638	17,787
Total Net Position	<u>3,631,809</u>	<u>5,707,143</u>	<u>38,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,819,549</u>	<u>\$ 10,677,263</u>	<u>\$ 90,459</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities -	
Storm Water Fund	Totals
\$ 6,862	\$ 727,747
4,670	192,184
0	23,675
0	30,461
<u>11,532</u>	<u>974,067</u>
0	58,700
0	5,218
0	234,011
0	6,154,083
0	436,844
2,160,212	10,641,193
<u>2,160,212</u>	<u>17,530,049</u>
2,171,744	18,504,116
0	254,899
<u>\$ 2,171,744</u>	<u>\$ 18,759,015</u>
\$ 0	\$ 150,842
0	99,273
0	1,313,775
<u>0</u>	<u>1,563,890</u>
0	5,205,341
0	339,020
<u>0</u>	<u>7,108,251</u>
0	102,028
2,160,212	8,778,920
0	234,011
11,532	2,535,805
<u>2,171,744</u>	<u>11,548,736</u>
<u>\$ 2,171,744</u>	<u>\$ 18,759,015</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
Operating Revenues:			
Charges for Services	\$ 651,471	\$ 1,176,791	\$ 216,132
Operating Expenses:			
Personnel Services	173,599	240,333	32,294
Materials and Supplies	79,883	11,735	2,370
Professional Fees	33,546	4,643	1,291
Insurance	13,145	11,004	0
Utilities	55,476	17,976	0
Repairs and Maintenance	22,783	17,782	5,772
Wastewater Commission Charges	0	706,041	0
Contracted Services	3,282	5,649	191,608
Other Charges	13,443	(3,538)	2,130
Depreciation	194,725	136,297	338
Total Operating Expenses	<u>589,882</u>	<u>1,147,922</u>	<u>235,803</u>
Income (Loss) From Operations	61,589	28,869	(19,671)
Nonoperating Revenues (Expenses)			
Interest and Fiscal Charges	(27,098)	(116,503)	0
Reimbursements	32,333	1,200,062	0
Government Grants	0	860,285	0
Access Fees and Other Income	204,041	174,939	5,645
Investment Earnings	(5,901)	(2,663)	(296)
Total Nonoperating Revenues (Expenses)	<u>203,375</u>	<u>2,116,120</u>	<u>5,349</u>
Income (Loss) Before Transfers and Other Items	264,964	2,144,989	(14,322)
Transfers and Other Items			
Capital Contributions	(1,054,566)	(983,529)	0
Change in Equity Interest	0	(426,964)	0
Transfers Out	(55,000)	(104,000)	0
Total Transfers and Other Items	<u>(1,109,566)</u>	<u>(1,514,493)</u>	<u>0</u>
Change in Net Position	(844,602)	630,496	(14,322)
Net Position - January 1	<u>4,476,411</u>	<u>5,076,647</u>	<u>52,362</u>
Net Position - December 31	<u>\$ 3,631,809</u>	<u>\$ 5,707,143</u>	<u>\$ 38,040</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

<u>Business-type Activities -</u>	
<u>Storm Water</u>	
<u>Fund</u>	<u>Totals</u>
\$ 48,099	\$ 2,092,493
0	446,226
0	93,988
639	40,119
0	24,149
0	73,452
0	46,337
0	706,041
0	200,539
175	12,210
88,134	419,494
<u>88,948</u>	<u>2,062,555</u>
(40,849)	29,938
0	(143,601)
6,100	1,238,495
0	860,285
0	384,625
(20)	(8,880)
<u>6,080</u>	<u>2,330,924</u>
(34,769)	2,360,862
0	(2,038,095)
0	(426,964)
(32,000)	(191,000)
<u>(32,000)</u>	<u>(2,656,059)</u>
(66,769)	(295,197)
<u>2,238,513</u>	<u>11,843,933</u>
<u>\$ 2,171,744</u>	<u>\$ 11,548,736</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers and Users	\$ 650,056	\$ 1,180,942	\$ 219,600
Payments to Suppliers	(223,565)	(726,295)	(198,929)
Payments to Employees	(172,147)	(235,817)	(33,054)
Other Receipts (Payments)	236,374	253,661	5,645
Net Cash from Operating Activities	<u>490,718</u>	<u>472,491</u>	<u>(6,738)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments Received (Paid) on Interfund Loans	15,000	(276,500)	0
Transfers Out	(55,000)	(104,000)	0
Net Cash from Noncapital Financing Activities	<u>(40,000)</u>	<u>(380,500)</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Paid on Debt	(29,699)	(125,760)	0
Principal Paid on Debt	(250,000)	(1,004,000)	0
Debt Proceeds	99,479	0	0
Government Grants Received	0	91,827	0
Special Assessment Collections	1,044	1,044	0
Wastewater Commission Reimbursements	0	1,113,840	0
Sales of Capital Assets	0	7,500	0
Acquisition and Construction of Capital Assets	(76,819)	(82,078)	0
Net Cash from Capital and Related Financing Activities	<u>(255,995)</u>	<u>2,373</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received (Paid)	<u>(5,901)</u>	<u>(2,663)</u>	<u>(296)</u>
Net Change in Cash and Cash Equivalents	188,822	91,701	(7,034)
Cash and Cash Equivalents - January 1	452,752	194,652	34,003
Cash and Cash Equivalents - December 31	<u>\$ 641,574</u>	<u>\$ 286,353</u>	<u>\$ 26,969</u>
Cash and Cash Equivalents			
Unrestricted	\$ 641,574	\$ 52,342	\$ 26,969
Restricted	<u>0</u>	<u>234,011</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 641,574</u>	<u>\$ 286,353</u>	<u>\$ 26,969</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Income (Loss) from Operations	\$ 61,589	\$ 28,869	\$ (19,671)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Other Receipts (Payments)	236,374	253,661	5,645
Depreciation Expense	194,725	136,297	338
(Increase) Decrease in Accounts Receivable	(926)	(541)	(205)
(Increase) Decrease in Due from Other Governments	(489)	4,692	3,673
(Increase) Decrease in Prepaid Expense	(4,715)	(1,936)	224
Increase (Decrease) in Due to Other Governments	1,786	45,171	1,244
Increase (Decrease) in Pension Resources	(1,492)	(391)	(995)
Increase (Decrease) in Accrued Expenses	3,866	6,669	3,009
Net Cash from Operating Activities	<u>\$ 490,718</u>	<u>\$ 472,491</u>	<u>\$ (6,738)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 48,038	\$ 2,098,636
(814)	(1,149,603)
0	(441,018)
6,100	501,780
<u>53,324</u>	<u>1,009,795</u>
(17,718)	(279,218)
<u>(32,000)</u>	<u>(191,000)</u>
<u>(49,718)</u>	<u>(470,218)</u>
0	(155,459)
0	(1,254,000)
0	99,479
0	91,827
0	2,088
0	1,113,840
0	7,500
0	(158,897)
<u>0</u>	<u>(253,622)</u>
(20)	(8,880)
3,586	277,075
<u>3,276</u>	<u>684,683</u>
<u>\$ 6,862</u>	<u>\$ 961,758</u>
\$ 6,862	\$ 727,747
<u>0</u>	<u>234,011</u>
<u>\$ 6,862</u>	<u>\$ 961,758</u>
\$ (40,849)	\$ 29,938
6,100	501,780
88,134	419,494
(61)	(1,733)
0	7,876
0	(6,427)
0	48,201
0	(2,878)
0	13,544
<u>\$ 53,324</u>	<u>\$ 1,009,795</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Annandale, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in 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 primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities, are in substance part of the City’s operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Included in the City’s reporting entity, based upon the application of these criteria, are the following blended component units. The blended component units presented have a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five-member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

Housing and Redevelopment Authority. The Annandale House and Redevelopment Authority (the HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board is comprised of all five members of the City Council. Separate financial statements are 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 nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**C. Measurement focus, basis of accounting and financial statement presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are *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 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 an 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, entitlements, 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. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Fire Equipment fund* is for capital purchase of equipment related to fire protection.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City’s water utility system and ensures that user charges are sufficient to meet those costs.

The *Sewer fund* accounts for the costs associated with the City’s sewer utility system and ensures that user charges are sufficient to meet those costs.

The *Refuse fund* accounts for the costs associated with refuse collection within the City.

The *Storm Sewer fund* accounts for the costs associated with the City’s storm water utility system and ensures that user charges are sufficient to meet those costs.

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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 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.

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 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.

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City’s cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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 based on applicable participation by each of the funds.

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.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 3 for the City's recurring fair value measurements as of December 31, 2022. The City has adopted a formal investment policy.

Property taxes

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable includes 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 fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. 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.

Notes receivable

Notes receivable represents loans made to various commercial entities throughout the City. An allowance has been established and was determined based on historical bad debt experience related to the nature of the receivable balance.

Special assessments

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

Land held for resale

Land held for resale is carried at the lower of cost or net realizable value.

Inventory and Prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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). 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 nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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 the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Assets	Capitalization Threshold
Land improvements	\$ 10,000
Buildings and improvements	25,000
Infrastructure	100,000
Machinery and equipment	5,000

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at acquisition 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 of the City, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Compensated absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time-off or some other means. The liability for vacation benefits is recorded as part of long-term obligations. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees that have reached ten years of service by age 50. All compensated absences are 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 payable.

Postemployment benefits other than pensions (OPEB)

Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. Employees of the City pay health care premiums based on level of coverage, without consideration of age. The City's personnel policy does not provide for any contributions upon employee retirement; thus, the City does not expect any future retirees to elect to continue coverage and has no experience with past retirees electing coverage. The implicit rate subsidy factor in postemployment health care expenses is considered immaterial, therefore, no liability is accrued for OPEB.

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

Unearned Revenue

Unearned revenues are those for which resources are received by the City before it has a legal claim against them. The City has reported unearned revenues for prepaid service revenues in the governmental funds.

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), Annandale Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, 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.

PERA has a special funding situation for their public employees police and fire pension funds. The State of Minnesota contributes \$9 million annually on October 1 until both PEPFP and MSRS State Patrol become 90% funded (on a Market Value of Asset Basis).

Long-term obligations

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

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

Leases

Lease receivables

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

CITY OF ANNANDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

Lease liabilities

The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in note 3.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. 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".

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.

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.

CITY OF ANNANDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 between 40 - 50 percent of budgeted operating expenditures for cash-flow timing needs.

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.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget is prepared and adopted in 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 the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2022, the General fund had expenditures over appropriations of \$313,566. Excess expenditures over appropriations was funded with additional revenues.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)**C. Deficit Fund Equity**

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Nonmajor - Special Revenue	
Tax Abatement	\$ 8,291
TIF District No. 6	86
TIF District No. 15	203
Training Center	226,512
Woodlawn Cemetery	76,077
Nonmajor - Capital Projects	
Hemlock Project	560,159
Highway 55 Improvement	55,985
Debt Service	
G.O. Capital Improvement Plan Refunding Bonds of 2008A	5,403
G.O. Equipment Certificates of 2016A	17,088

The fund deficits are planned to be eliminated with future interfund transfers.

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 market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

- 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 government entity.

On December 31, 2022, the carrying amount of deposits was \$4,058,647 and the bank balance was \$4,150,466. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City’s agent in the City’s name.

Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A.07 limits the City’s investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies do not address concentration risk.

Negotiable certificates of deposit

Beal Bank	\$ 250,000
PNC Bank	175,000
Wells Fargo	175,000
Ally Bank	435,765
Barclays Bank	250,710
Manufacture & Traders	249,663
Enerbank USA	151,291
BMO Harris	230,234
BMW Bank of America	168,590

Nonnegotiable certificates of deposit

Lake Central Bank, Annandale	252,229
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Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not limit the maturities of investments; however, when purchasing investments, the City considers such things as interest rates and cash flow needs.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Pooled investment at amortized cost						
Broker money market funds	N/R	N/R	N/A	N/A	N/A	\$ 9,421
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	37,544
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	2,757
Investment pools						
Negotiable certificates of deposit	N/R	N/R	Level 2	861,262	1,728,222	2,589,484
Nonpooled investments						
Non-negotiable certificates of deposit	N/R	N/R	Level 2	252,229	-	252,229
Total investments						\$ 2,891,435

The City's investment in certain money market funds is measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For U.S. Government money market investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice. For 4M Fund investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

A reconciliation of cash and investment as shown on the Statement of Net Position for the City is as follows:

	Primary Government
Cash and Cash equivalents	\$ 4,058,647
Investments	2,891,435
Total Cash and investment	<u>\$ 6,950,082</u>
Unrestricted cash and investments	\$ 6,716,071
Restricted cash and investments	234,011
Total cash and investments	<u>\$ 6,950,082</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**B. Receivables**

Taxes receivable as of the year-end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Intergovernmental and accounts receivables on the statement of net position consist of the following:

<u>Nature of Receivable</u>	<u>Receivable Balance</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Charges for services	\$ 196,837	\$ -	\$ 196,837
Wastewater commission reimbursement	58,049	-	58,049
Other reimbursements	3,517	-	3,517
DMV commissions	12,104	-	12,104
Rental fees	2,175	-	2,175
Franchise fees	1,287	-	1,287
 Total	 \$ 273,969	 \$ -	 \$ 273,969

The City, through an award from the Minnesota Department of Economic Development, has established a revolving loan program. Revolving loans were made to various commercial entities to assist with canopy removal and storefront façade improvements in 2021. These notes all carry an interest rate of 2% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position is \$54,607.

The City also received an award from the Minnesota Investment Fund to provide a partially forgivable note to a local business to assist with a facility expansion and to create or retain full-time employees. This note carries an interest rate of 0% and is collectible in monthly installments maturing in 2028. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position is \$55,714.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$ 789,995	\$ -
Delinquent special assessments	6,383	-
Delinquent property taxes	24,216	-
Various escrows	-	113,150
 Total deferred inflows of resources/unearned revenue	 \$ 820,594	 \$ 113,150

The only receivables not expected to be collectible within one year are \$15,000 of delinquent taxes and \$734,000 of special assessments.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**C. Lease Receivables**

The City, acting as lessor, leases certain real property under long-term, noncancelable lease agreements. The leases contain discount rates of 4.00% and expire at various dates through December 2025 and provide for renewal options ranging from five to seventy years. During the year ended December 31, 2022, the City recognized \$25,164 and \$2,703 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2023	\$ 26,626	\$ 1,835
2024	12,014	762
2025	12,503	273
Total	<u>\$ 51,143</u>	<u>\$ 2,870</u>

D. Capital assets

Capital asset activity for the City for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,463,708	\$ -	\$ -	\$ 2,463,708
Construction in progress	585,422	99,381	-	684,803
Total capital assets not being depreciated	<u>3,049,130</u>	<u>99,381</u>	<u>-</u>	<u>3,148,511</u>
Capital assets being depreciated				
Buildings and Improvements	5,056,413	69,870	-	5,126,283
Infrastructure	22,585,645	-	-	22,585,645
Machinery and equipment	2,830,983	905,402	(123,708)	3,612,677
Total capital assets being depreciated	<u>30,473,041</u>	<u>975,272</u>	<u>(123,708)</u>	<u>31,324,605</u>
Less accumulated depreciation for				
Buildings and Improvements	(2,558,433)	(144,648)	-	(2,703,081)
Infrastructure	(18,698,792)	(332,605)	-	(19,031,397)
Machinery and equipment	(1,918,797)	(177,685)	109,708	(1,986,774)
Total accumulated depreciation	<u>(23,176,022)</u>	<u>(654,938)</u>	<u>109,708</u>	<u>(23,721,252)</u>
Total capital assets being depreciated, net	<u>7,297,019</u>	<u>320,334</u>	<u>(14,000)</u>	<u>7,603,353</u>
Governmental activities capital assets, net	<u>\$ 10,346,149</u>	<u>\$ 419,715</u>	<u>\$ (14,000)</u>	<u>\$ 10,751,864</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 277,948	\$ -	\$ -	\$ 277,948
Construction in progress	-	158,896	-	158,896
Total capital assets not being depreciated	277,948	158,896	-	436,844
Capital assets being depreciated				
Buildings and improvements	4,187,883	-	-	4,187,883
Distribution system	13,028,819	-	-	13,028,819
Machinery and equipment	320,753	-	-	320,753
Total capital assets being depreciated	17,537,455	-	-	17,537,455
Less accumulated depreciation for				
Buildings and improvements	(1,880,922)	(92,234)	-	(1,973,156)
Distribution system	(4,339,537)	(314,751)	-	(4,654,288)
Machinery and equipment	(256,309)	(12,509)	-	(268,818)
Total accumulated depreciation	(6,476,768)	(419,494)	-	(6,896,262)
Total capital assets being depreciated, net	11,060,687	(419,494)	-	10,641,193
Business-type activities capital assets, net	\$ 11,338,635	\$ (260,598)	\$ -	\$ 11,078,037

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

Governmental activities	
General government	\$ 114,942
Public safety	154,263
Public works	383,404
Parks and recreation	2,329
Total depreciation expense - governmental activities	\$ 654,938
Business-type activities	
Water	\$ 194,725
Sewer	136,297
Refuse	338
Storm water	88,134
Total depreciation expense - business-type activities	\$ 419,494

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**E. Long-term debt**General Obligation Revenue Notes

The City issued general obligation revenue notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. G.O. revenue notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue					
Note of 2004	\$ 3,273,194	2.82%	3/4/04	8/20/23	\$ 210,000
G.O. Wastewater Revenue					
Note of 2007	16,036,613	2.22%	9/26/07	8/20/26	4,220,000
G.O. Water Revenue					
Note of 2015	929,105	1.03	9/23/15	8/20/35	634,000
G.O. Wastewater Revenue					
Note of 2015	125,359	1.00	9/23/15	8/20/35	86,000
G.O. Water Revenue					
Note of 2022	1,358,413	2.00	12/16/22	2/1/42	1,154,045
G.O. Sewer Revenue					
Note of 2022	253,362	2.00	12/16/22	2/1/42	215,071
Total general obligation revenue notes					<u>\$ 6,519,116</u>

General Obligation Tax Increment Bonds

The City issues general obligation tax increment bonds for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt. General obligation tax increment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment					
Bonds of 2019A	\$ 755,000	3.65%	8/20/19	2/1/39	\$ 710,000
Total G.O. tax increment bonds					<u>\$ 710,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)General Obligation Improvement Bonds/Notes

The City issues general obligation improvement bonds/notes to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2008B	\$ 1,175,000	3.00 - 4.125%	2/1/19	2/1/24	\$ 205,000
G.O. Improvement					
Note of 2011A	1,217,500	1.96%	6/29/11	2/1/31	608,000
G.O. Refunding					
Bonds of 2019B	1,040,000	2.00 - 3.00	11/3/19	2/1/32	895,000
G.O. Temporary Improvement					
Bonds of 2020A	2,880,000	2.00	3/17/20	2/1/23	2,880,000
G.O. Improvement Refunding					
Bonds of 2020B	400,000	1.53	11/9/20	2/1/36	353,000
Total general obligation special assessment bonds/notes					<u>\$ 4,941,000</u>

General Obligation Bonds/Certificates

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment					
Certificate of 2022A	\$ 617,000	2.25%	4/1/22	2/1/31	<u>\$ 617,000</u>
Total general obligation bonds/certificates					<u>\$ 617,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 3,180,000	\$ 119,016	\$ 3,299,016	\$ 1,313,775	\$ 128,165	\$ 1,441,940
2024	378,000	75,318	453,318	1,159,000	110,103	1,269,103
2025	281,000	66,174	347,174	1,184,000	85,121	1,269,121
2026	285,000	59,048	344,048	1,211,000	59,597	1,270,597
2027	298,000	52,146	350,146	123,000	33,479	156,479
2028-2032	1,432,000	153,223	1,585,223	644,000	137,493	781,493
2033-2037	334,000	37,243	371,243	577,000	85,115	662,115
2038-2042	80,000	2,920	82,920	444,000	39,180	483,180
2043-2047	-	-	-	50,000	9,675	59,675
2048-2052	-	-	-	56,000	3,826	59,826
2053*	-	-	-	(242,659)	-	(242,659)
Total	<u>\$ 6,268,000</u>	<u>\$ 565,088</u>	<u>\$ 6,833,088</u>	<u>\$ 6,519,116</u>	<u>\$ 691,754</u>	<u>\$ 7,210,870</u>

* Authorized but not yet issued

Changes in long-term liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO special assessment bonds	\$ 5,464,000	\$ -	\$ (523,000)	\$ 4,941,000	\$ 3,145,000
GO tax increment bonds	745,000	-	(35,000)	710,000	35,000
GO bonds/certificates	80,000	617,000	(80,000)	617,000	-
Bond Premiums/discounts	43,355	-	(845)	42,510	-
Total GO Debt	6,332,355	617,000	(638,845)	6,310,510	3,180,000
Net pension liability	532,230	2,073,708	(535,547)	2,070,391	-
Compensated absences	69,193	86,197	(69,193)	86,197	-
Governmental activity long-term liabilities	<u>\$ 6,933,778</u>	<u>\$ 2,776,905</u>	<u>\$ (1,243,585)</u>	<u>\$ 8,467,098</u>	<u>\$ 3,180,000</u>
Business-type activities:					
GO revenue notes	\$ 6,404,000	\$ 1,369,116	\$ (1,254,000)	\$ 6,519,116	\$ 1,313,775
Net pension liability	168,314	391,233	(220,527)	339,020	-
Business-type activity long-term liabilities	<u>\$ 6,572,314</u>	<u>\$ 1,760,349</u>	<u>\$ (1,474,527)</u>	<u>\$ 6,858,136</u>	<u>\$ 1,313,775</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)Conduit debt obligation

During 2015, the City entered into an agreement to authorize and sell revenue bonds in the form of notes or other obligations for the purpose of refinancing the cost of the acquisition, construction and equipping of certain senior housing assisted living facilities. Annandale Care Center (nonprofit corp.) issued \$9,300,000 in Health Care Revenue Refunding Bonds of 2015A using the City's bonding rights. The balance outstanding at December 31, 2022 is 1,020,000. The City is in no way liable for the repayment of these bonds.

F. Interfund receivables, payables, and transfersInterfund transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Transferred From	Transferred To			Total
	Debt Service	General	Nonmajor Governmental	
General	\$ 68,000	\$ -	\$ 802,746	\$ 870,746
Nonmajor Governmental	47,000	13,152	11,460	71,612
Water	1,109,566			1,109,566
Sewer	1,087,529			1,087,529
Storm Water	32,000			32,000
Total	<u>\$ 2,344,095</u>	<u>\$ 13,152</u>	<u>\$ 814,206</u>	<u>\$ 3,171,453</u>

The purpose of the above transfers was to provide funding for debt service, debt service refunding close outs, and operating purposes.

Internal Balances

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 22,491
General	Nonmajor Governmental	862,240
Nonmajor Governmental	General	58,350
Nonmajor Governmental	Nonmajor Governmental	46,888
Water	Nonmajor Governmental	58,700
Total		<u>\$ 1,048,669</u>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances present at year-end.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**G. Net Position/Fund Balance**Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2022, included the following:

	General	Debt Service Funds	Fire Equipment	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	\$ 100,941	\$ -	\$ -	\$ 2,707	\$ 103,648
Restricted:					
Capital projects	-	-	-	54,489	54,489
Debt service	-	2,737,759	-	-	2,737,759
Charitable gambling	-	-	-	11,759	11,759
TIF 1-14	-	-	-	48,430	48,430
Revolving loans	-	-	-	131,602	131,602
Total restricted	-	2,737,759	-	246,280	2,984,039
Committed:					
Economic development	-	-	-	1,036,935	1,036,935
Assigned:					
Dept of motor vehicles	246,803	-	-	-	246,803
Lions donations	-	-	-	283,661	283,661
Fire equipment	-	-	168,212	-	168,212
Park	-	-	-	69,013	69,013
Rec facility	-	-	-	32,785	32,785
Street maintenance	-	-	-	141,394	141,394
Street capital	-	-	-	133,811	133,811
Public works	-	-	-	197,122	197,122
Police equipment	-	-	-	544	544
Capital projects	-	-	-	132,777	132,777
Building capital	-	-	-	180,023	180,023
Total assigned	246,803	-	168,212	1,171,130	1,586,145
Unassigned:					
General fund	1,939,963	-	-	-	1,939,963
TIF 1-6	-	-	-	(86)	(86)
TIF 1-15	-	-	-	(203)	(203)
Tax abatement Dingmann	-	-	-	(8,291)	(8,291)
Training center	-	-	-	(227,492)	(227,492)
Capital Project	-	-	-	(616,144)	(616,144)
Debt service	-	(22,491)	-	-	(22,491)
Cemetery	-	-	-	(77,090)	(77,090)
Total unassigned	1,939,963	(22,491)	-	(929,306)	988,166
Total fund balance	\$ 2,287,707	\$ 2,715,268	\$ 168,212	\$ 1,527,746	\$ 6,698,933

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 2,463,708
Construction in progress	684,803
Buildings	5,126,283
Infrastructure	22,585,645
Machinery and equipment	3,612,677
Less: accumulated depreciation	(23,721,252)
Less: long-term debt outstanding	(6,268,000)
Less: bond premiums	(48,006)
Add: bond discounts	5,495
Total Net Investment in Capital Assets	<u>4,441,352</u>

Restricted for:

Debt Service	3,415,967
Tax increment financing	191,791
Capital projects	54,489
Total restricted	<u>3,662,247</u>

Unrestricted

3,750,435

Total Governmental Activities Net Position \$ 11,854,034

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 277,948
Construction in progress	158,896
Buildings	4,187,883
Infrastructure	13,028,819
Machinery and equipment	320,753
Less: accumulated depreciation	(6,896,262)
Less: long-term debt outstanding	(2,299,116)
Total Net Investment in Capital Assets	<u>8,778,920</u>

Restricted for:

Capital replacement reserve	234,011
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Unrestricted

2,535,805

Total Business-type Activities Net Position \$ 11,548,736

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

A. Plan Description

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

General Employees Retirement Plan (GERP)

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

Public Employees Police and Fire Fund (PEFPF)

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

B. Benefits Provided

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

GERP Benefits

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% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all members. 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

PEFPF Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$70,750. The City's contributions were equal to the required contributions as set by state statute.

PEPFP Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$70,935. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERP Pension Costs

On December 31, 2022, the City reported a liability of \$982,084 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. 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 \$28,648.

The net pension liability was measured as of June 30, 2022, 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 proportion 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0124% which was an increase of 0.0014% from its proportion measured as of June 30, 2021. For the year ended December 31, 2022, the City recognized pension expense of \$11,692 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$4,281 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

On December 31, 2022, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,519	\$ 7,969
Differences between projected and actual investment earnings	392,591	285,424
Changes in actuarial assumptions	221,918	2,166
Changes in proportion	80,193	-
City's contributions subsequent to the measurement date	35,179	-
Total	<u>\$ 738,400</u>	<u>\$ 295,559</u>

\$35,179 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 152,475
2024	147,569
2025	18,942
2026	88,676
2027	-
Thereafter	-

PEPFP Pension Costs

On December 31, 2022, the City reported a liability of \$1,427,326 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0328% which was an increase of 0.0029% from its proportion measured as of June 30, 2021.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the City recognized pension expense of \$(61,741) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$12,083 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,952 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

On December 31, 2022, the City reported its proportionate share of the PEPFP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 87,837	\$ 643
Differences between projected and actual investment earnings	416,978	325,704
Changes in actuarial assumptions	836,312	4,617
Changes in proportion	42,813	40,149
City's contributions subsequent to the measurement date	35,876	-
Total	<u>\$ 1,419,816</u>	<u>\$ 371,113</u>

\$35,876 reported as deferred outflows of resources related to pensions resulting from 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 205,452
2024	197,730
2025	185,650
2026	298,530
2027	125,465
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**E. Actuarial Assumptions***GERP and PEPFP*

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability**Actuarial Information:**

Measurement Date	June 30, 2022
Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2022, actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

F. Discount Rate

GERP

The discount rate used to measure the total pension liability in 2022 was 6.50. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was 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.

PEFPF

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

G. Pension Liability Sensitivity

GERP and PEPFP

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

City's proportionate share of NPL				
Plan		1 % Decrease	Current	1 % Increase
	Rate	5.50%	6.50%	7.50%
Proportionate share of the GERP net pension liability:		\$ 1,551,253	\$ 982,084	\$ 515,278
		1 % Decrease	Current	1 % Increase
	Rate	4.40%	5.40%	6.40%
Proportionate share of the PEPFP net pension liability:		\$ 2,160,075	\$ 1,427,326	\$ 834,943

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

VOLUNTEER FIRE RELIEF ASSOCIATION**A. Plan Description**

All active or probationary members of the Annandale Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the Annandale Fire Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to Annandale Fire Relief Association, P.O. Box K Annandale, Minnesota 55302.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Fire Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 5 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 5 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Summary of Participant Data	
Active members	24
Inactive members entitled to future benefits	16
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	40

B. Benefits Provided

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$2,800 (effective January 1, 2020) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$61,175 in fire state aid to the plan for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2022. In addition, the City made voluntary contributions of \$3,000 to the plan.

D. Pension Costs

On December 31, 2021, the Association reported an asset of \$953,921. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at Previous	(a)	(b)	(c) = (a) - (b)
Fiscal Year 12/31/2020	<u>\$ 577,027</u>	<u>\$ 1,346,110</u>	<u>\$ (769,083)</u>
Changes for the year:			
Service cost	29,882	-	29,882
Interest	34,897	-	34,897
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	59,319	(59,319)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	199,663	(199,663)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	(9,365)	9,365
Other deductions (e.g. payables)	-	-	-
Net changes	<u>64,779</u>	<u>249,617</u>	<u>(184,838)</u>
Balance at Current			
Fiscal Year 12/31/2021	<u>\$ 641,806</u>	<u>\$ 1,595,727</u>	<u>\$ (953,921)</u>

There were no plan provision changes during the measurement period.

For the year ended December 31, 2022, the City recognized pension expense of \$(132,396).

On December 31, 2021, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 64,050
Differences between projected and actual investment earnings	35,218	219,510
Changes in actuarial assumptions	8,316	1,782
City's contributions subsequent to the measurement date	64,175	-
Total	<u>\$ 107,709</u>	<u>\$ 285,342</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$64,175 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ (52,232)
2024	(87,450)
2025	(59,507)
2026	(35,897)
2027	(6,722)
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability**Actuarial Information:**

Measurement Date	December 31, 2021
Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	5.75%
Inflation	2.25% per year
Lump Sum Benefit Increase	N/A*

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2021, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2020.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2021:

- None

The long-term expected rate of return on pension plan investments is 5.75%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	60.0%	4.90%	7.15%
International Equity	10.0%	5.32%	7.57%
Fixed Income	20.0%	1.40%	3.65%
Real estate and alternative	5.0%	4.43%	6.68%
Cash and equivalents	5.0%	0.09%	2.34%
Total	100.00%		6.55%
Reduced for assumed investment expense			(0.80%)
Net assumed investment return			5.75%

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**G. Pension Liability Sensitivity**

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

Association's Net Pension Asset		
1 Percent Decrease	Current	1 Percent Increase
4.75%	5.75%	6.75%
\$ 931,725	\$ 953,921	\$ 975,125

H. Pension Plan Fiduciary Net Position

Detailed information about the relief association's defined benefit pension plan's fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Annandale at P.O. Box K Annandale, Minnesota, 55302.

Note 5 OTHER INFORMATION**A. Risk management**

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

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

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has \$617,000 of debt outstanding subjected to this limit on December 31, 2022.

C. Tax increment districts

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

CITY OF ANNANDALE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 OTHER INFORMATION – (Continued)

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota through Local Government Aid (LGA). The amount received in 2022 was \$542,757 for LGA. This accounted for 17 percent of General fund revenues.

E. Joint ventures

In September 2003, the City entered into a joint powers agreement with the City of Maple Lake to establish the Annandale-Maple Lake Wastewater Commission (the “Commission”). The purpose of the Commission is to make available wastewater treatment within the present and future boundaries of the Cities, and to serve such other areas as the Commission approves. As part of the joint venture, the City of Annandale agrees to fund the Debt Service and Operating Funds of the Commission according to the terms of the agreement. The agreement states a City may terminate the agreement by written notice to the other City. In such an event, the City of Annandale shall pay 60% of all costs incurred, except each City shall pay its own attorney’s fee. In 2008, both Cities approved amending the joint powers agreement to include the City of Howard Lake, effective January 1, 2009. Each City will then have a one-third equity interest in the Commission. Because there is an explicit measurable equity interest in the joint venture, the interest is reported in the government-wide financial statements, as well as in the Sewer Fund.

Note 6 PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The City participates in the Deferred Compensation Plan, a voluntary savings plan administered by Aspire Financial Services LLC for eligible employees. The Deferred Compensation Plan is a tax qualified plan under Section 457 of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 352.965, established the Deferred Compensation Plan. An eligible employee who decides to participate contributes a minimum of one percent of salary. Total contributions made by the City during fiscal years 2022 and 2021, were \$27,202 and \$18,306, respectively.

Note 7 ADOPTION OF NEW STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the City reporting a lease receivable as and a deferred inflow of resources as disclosed in Note 3.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0124%	\$ 982,084	\$ 28,648	\$ 1,010,732	\$ 876,126	115.4%	76.7%
12/31/2021	6/30/2021	0.0110%	\$ 469,749	\$ 14,300	\$ 484,049	\$ 763,413	63.4%	87.0%
12/31/2020	6/30/2020	0.0105%	\$ 629,523	\$ 19,370	\$ 648,893	\$ 737,132	88.0%	79.1%
12/31/2019	6/30/2019	0.0101%	\$ 558,406	\$ 17,333	\$ 575,739	\$ 677,402	85.0%	80.2%
12/31/2018	6/30/2018	0.0098%	\$ 543,664	\$ 17,795	\$ 561,459	\$ 658,161	85.3%	79.5%
12/31/2017	6/30/2017	0.0100%	\$ 638,393	\$ 8,040	\$ 646,433	\$ 647,524	99.8%	75.9%
12/31/2016	6/30/2016	0.0099%	\$ 803,831	\$ 10,468	\$ 814,299	\$ 610,663	133.3%	68.9%
12/31/2015	6/30/2015	0.0102%	\$ 528,617	\$ -	\$ 528,617	\$ 605,733	87.3%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 69,551	\$ 69,551	\$ -	\$ 927,347	7.50%
12/31/2021	6/30/2021	\$ 59,182	\$ 59,182	\$ -	\$ 789,093	7.50%
12/31/2020	6/30/2020	\$ 56,259	\$ 56,259	\$ -	\$ 750,120	7.50%
12/31/2019	6/30/2019	\$ 53,542	\$ 53,542	\$ -	\$ 713,893	7.50%
12/31/2018	6/30/2018	\$ 50,226	\$ 50,226	\$ -	\$ 669,680	7.50%
12/31/2017	6/30/2017	\$ 48,886	\$ 48,886	\$ -	\$ 651,813	7.50%
12/31/2016	6/30/2016	\$ 46,583	\$ 46,583	\$ -	\$ 621,107	7.50%
12/31/2015	6/30/2015	\$ 45,426	\$ 45,426	\$ -	\$ 605,680	7.50%

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0328%	\$ 1,427,326	\$ 62,294	\$ 1,489,620	\$ 425,828	349.8%	70.5%
12/31/2021	6/30/2021	0.0299%	\$ 230,796	\$ 10,361	\$ 241,157	\$ 408,370	59.1%	93.7%
12/31/2020	6/30/2020	0.0322%	\$ 424,430	\$ 10,001	\$ 434,431	\$ 400,848	108.4%	87.2%
12/31/2019	6/30/2019	0.0345%	\$ 367,287	\$ -	\$ 367,287	\$ 377,813	97.2%	89.3%
12/31/2018	6/30/2018	0.0329%	\$ 350,680	\$ -	\$ 350,680	\$ 346,636	101.2%	88.8%
12/31/2017	6/30/2017	0.0330%	\$ 445,539	\$ -	\$ 445,539	\$ 339,010	131.4%	85.4%
12/31/2016	6/30/2016	0.0341%	\$ 1,364,479	\$ -	\$ 1,364,479	\$ 322,596	423.0%	63.9%
12/31/2015	6/30/2015	0.0344%	\$ 386,320	\$ -	\$ 386,320	\$ 317,917	121.5%	86.6%

SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 70,506	\$ 70,506	\$ -	\$ 435,222	17.70%
12/31/2021	6/30/2021	\$ 62,469	\$ 62,469	\$ -	\$ 385,611	17.70%
12/31/2020	6/30/2020	\$ 62,982	\$ 62,982	\$ -	\$ 388,778	17.70%
12/31/2019	6/30/2019	\$ 60,357	\$ 60,357	\$ -	\$ 372,574	16.95%
12/31/2018	6/30/2018	\$ 56,155	\$ 56,155	\$ -	\$ 346,636	16.20%
12/31/2017	6/30/2017	\$ 54,582	\$ 54,582	\$ -	\$ 336,926	16.20%
12/31/2016	6/30/2016	\$ 53,163	\$ 53,163	\$ -	\$ 328,167	16.20%
12/31/2015	6/30/2015	\$ 49,642	\$ 49,642	\$ -	\$ 306,432	16.20%

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ANNANDALE FIRE RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Total Pension Liability	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 29,882	\$ 30,025	\$ 29,293	\$ 29,477	\$ 26,727	\$ 26,915	\$ 21,845	\$ 21,260
Interest	34,897	36,329	35,646	36,852	34,955	33,085	27,615	24,816
Difference between expected and actual experience	-	(73,779)	-	(22,353)	28,893	-	40,156	-
Changes of assumptions	-	3,042	-	13,012	-	(7,074)	-	-
Changes in benefit terms	-	33,435	-	-	-	(4,866)	-	-
Benefit payments, including member contribution refunds	-	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
Net change in total pension liability	64,779	(78,548)	64,939	3,988	17,602	41,020	89,616	46,076
Total Pension Liability - beginning	577,027	655,575	590,636	586,648	569,046	528,026	438,410	392,334
Total Pension Liability - ending	\$ 641,806	\$ 577,027	\$ 655,575	\$ 590,636	\$ 586,648	\$ 569,046	\$ 528,026	\$ 438,410
Plan Fiduciary Net Position								
Contributions - state and local	\$ 59,319	\$ 56,621	\$ 54,530	\$ 55,196	\$ 50,693	\$ 50,325	\$ 49,939	\$ 47,712
Contributions - donation and other income	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-	-
Net investment income	199,663	178,733	192,904	(109,391)	126,216	69,161	(34,736)	46,976
Other additions (e.g. receivable)	-	99	-	150	-	-	-	-
Benefit payments, including member contribution refunds	-	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
Administrative expenses	(9,365)	(8,445)	(9,772)	(8,509)	(8,416)	(7,920)	(7,166)	(3,768)
Other deductions (e.g. payables)	-	-	-	-	-	-	-	(275)
Net change in plan fiduciary net position	249,617	119,408	237,662	(115,554)	95,520	104,526	8,037	90,645
Plan Fiduciary Net Position - beginning	1,346,110	1,226,702	989,040	1,104,594	1,009,074	904,548	896,511	805,866
Plan Fiduciary Net Position - ending	\$ 1,595,727	\$ 1,346,110	\$ 1,226,702	\$ 989,040	\$ 1,104,594	\$ 1,009,074	\$ 904,548	\$ 896,511
Net Pension (Asset) Liability - ending	\$ (953,921)	\$ (769,083)	\$ (571,127)	\$ (398,404)	\$ (517,946)	\$ (440,028)	\$ (376,522)	\$ (458,101)
FNP as a percentage of the TPL	248.63%	233.28%	187.12%	167.45%	188.29%	177.33%	171.31%	204.49%

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
ANNANDALE FIRE RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2021	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2020	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2019	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2018	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2017	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2016	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2015	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2014	-	\$ 3,000	\$ (3,000)	-	-	-

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2022 changes:

Changes in Actuarial Assumptions. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2021 changes:

Changes in Actuarial Assumptions. 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.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2020 changes:

Changes in Actuarial Assumptions. 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.

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

2019 changes:

Changes in Actuarial Assumptions. The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 changes:

Change of Assumptions. 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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)**A. Public Employees Retirement Association – General Employees Retirement Fund – (Continued)**2017 changes:

Change of Assumptions. 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. 2) 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 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) 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% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

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

B. Public Employees Retirement Association – Public Employees Police and Fire Fund2022 changes:

Changes in Actuarial Assumptions. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions. There have been no changes since the previous valuation.

2021 changes:

Changes in Actuarial Assumptions. The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

B. Public Employees Retirement Association – Public Employees Police and Fire Fund – (Continued)

Changes in Plan Provisions. There have been no changes since the previous valuation.

2020 changes:

Changes in Actuarial Assumptions. 1) The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions. 1) There have been no changes since the prior valuation.

2019 changes:

Change of Assumptions. 1) The mortality projection scale was changed from MP-2017 to MP-2018.

2018 changes:

Change of Assumptions. 1) The mortality projection scale was changed from MP-2016 to MP-2017.

2017 changes:

Change of Assumptions. 1) Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. 2) Assumed rates of retirement were changed, resulting in fewer retirements. 3) The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. 4) The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. 5) Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. 6) Assumed percentage of married female members was decreased from 65 percent to 60 percent. 7) Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. 8) The assumed percentage of female members electing Joint and Survivor annuities was increased. 9) The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%. 3) The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

C. Volunteer Fire Relief Association

2021 changes:

None.

2020 changes:

Changes in Actuarial Assumptions: The mortality assumptions were updated from the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2019 changes:

None.

2018 changes:

Changes in Actuarial Assumptions: A) The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions. B) The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. C) The inflation assumption rate was reduced from 2.75% to 2.50%

2017 changes:

None.

2016 changes:

Changes in Actuarial Assumptions: The expected investment return and discount rate increased from 6.00% to 6.25% to reflect updated capital market assumptions.

2015 changes:

None.

2014 changes:

None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and Investments	\$ 233,803	\$ 1,294,512	\$ 1,528,315
Accounts Receivable	2,175	68	2,243
Due from Other Governments	3,517	0	3,517
Prepaid Expense	2,707	0	2,707
Lease Receivable	51,143	0	51,143
Notes Receivable	110,321	0	110,321
Special Assessments	0	23,485	23,485
Advance to Other Funds	105,238	0	105,238
Land Held for Sale	845,855	0	845,855
	<u>845,855</u>	<u>0</u>	<u>845,855</u>
TOTAL ASSETS	<u><u>\$ 1,354,759</u></u>	<u><u>\$ 1,318,065</u></u>	<u><u>\$ 2,672,824</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 13,155	\$ 90,777	\$ 103,932
Due to Other Funds	267,912	594,328	862,240
Advance from Other Funds	105,588	0	105,588
Total Liabilities	<u>386,655</u>	<u>685,105</u>	<u>1,071,760</u>
Deferred Inflows of Resources:			
Lease Deferments	49,833	0	49,833
Unavailable Revenue	0	23,485	23,485
Total Deferred Inflows of Resources	<u>49,833</u>	<u>23,485</u>	<u>73,318</u>
Fund Balance:			
Nonspendable	2,707	0	2,707
Restricted	191,791	54,489	246,280
Committed	1,036,935	0	1,036,935
Assigned	0	1,171,130	1,171,130
Unassigned	(313,162)	(616,144)	(929,306)
Total Fund Balance	<u>918,271</u>	<u>609,475</u>	<u>1,527,746</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 1,354,759</u></u>	<u><u>\$ 1,318,065</u></u>	<u><u>\$ 2,672,824</u></u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
Revenues:			
Property Taxes	\$ 2,500	\$ 0	\$ 2,500
Tax Increment	95,459	0	95,459
Intergovernmental	203,363	0	203,363
Charges for Services	54,207	25,200	79,407
Other Revenues	19,470	342,050	361,520
Interest Earnings	148	(5,312)	(5,164)
Total Revenues	<u>375,147</u>	<u>361,938</u>	<u>737,085</u>
Expenditures:			
Current:			
General Government	31,438	0	31,438
Public Safety	14,878	25,644	40,522
Public Works	0	60,393	60,393
Parks and Recreation	0	12,085	12,085
Economic Development	242,744	0	242,744
Capital Outlay:			
General Government	0	67,829	67,829
Public Safety	0	71,070	71,070
Public Works	0	158,629	158,629
Park and Recreation	0	78,044	78,044
Economic Development	22,729	0	22,729
Total Expenditures	<u>311,789</u>	<u>473,694</u>	<u>785,483</u>
Excess of Revenue Over (Under) Expenditures	<u>63,358</u>	<u>(111,756)</u>	<u>(48,398)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	0	76,358	76,358
Transfers In	393,111	276,095	669,206
Transfers Out	(71,612)	0	(71,612)
Total Other Financing Sources (Uses)	<u>321,499</u>	<u>352,453</u>	<u>673,952</u>
Change in Fund Balance	384,857	240,697	625,554
Fund Balance - January 1	<u>533,414</u>	<u>368,778</u>	<u>902,192</u>
Fund Balance - December 31	<u>\$ 918,271</u>	<u>\$ 609,475</u>	<u>\$ 1,527,746</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
December 31, 2022

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
ASSETS					
Cash and Investments	\$ 11,759	\$ 116,057	\$ 11,276	\$ 0	\$ 48,430
Accounts Receivable	0	2,175	0	0	0
Due from Other Governments	0	0	0	0	0
Prepaid Expense	0	714	0	0	0
Notes Receivable	0	25,000	0	0	0
Lease Receivable	0	51,143	0	0	0
Advance to Other Funds	0	105,238	0	0	0
Land Held for Sale	0	845,855	0	0	0
TOTAL ASSETS	<u>\$ 11,759</u>	<u>\$ 1,146,182</u>	<u>\$ 11,276</u>	<u>\$ 0</u>	<u>\$ 48,430</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 11,362	\$ 0	\$ 0
Due to Other Funds	0	0	0	8,291	0
Advance from Other Funds	0	58,700	0	0	0
Total Liabilities	0	58,700	11,362	8,291	0
Deferred Inflows of Resources:					
Lease Deferments	0	49,833	0	0	0
Fund Balance:					
Nonspendable	0	714	0	0	0
Restricted	11,759	0	0	0	48,430
Committed	0	1,036,935	0	0	0
Unassigned	0	0	(86)	(8,291)	0
Total Fund Balance	11,759	1,037,649	(86)	(8,291)	48,430
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,759</u>	<u>\$ 1,146,182</u>	<u>\$ 11,276</u>	<u>\$ 0</u>	<u>\$ 48,430</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 0	\$ 0	\$ 19,127	\$ 27,154	\$ 233,803
0	0	0	0	0	2,175
0	3,517	0	0	0	3,517
0	980	1,013	0	0	2,707
0	0	0	55,714	29,607	110,321
0	0	0	0	0	51,143
0	0	0	0	0	105,238
0	0	0	0	0	845,855
<u>\$ 0</u>	<u>\$ 4,497</u>	<u>\$ 1,013</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 1,354,759</u>

\$ 0	\$ 233	\$ 1,560	\$ 0	\$ 0	\$ 13,155
203	230,776	28,642	0	0	267,912
<u>0</u>	<u>0</u>	<u>46,888</u>	<u>0</u>	<u>0</u>	<u>105,588</u>
<u>203</u>	<u>231,009</u>	<u>77,090</u>	<u>0</u>	<u>0</u>	<u>386,655</u>

<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,833</u>
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0	980	1,013	0	0	2,707
0	0	0	74,841	56,761	191,791
0	0	0	0	0	1,036,935
<u>(203)</u>	<u>(227,492)</u>	<u>(77,090)</u>	<u>0</u>	<u>0</u>	<u>(313,162)</u>
<u>(203)</u>	<u>(226,512)</u>	<u>(76,077)</u>	<u>74,841</u>	<u>56,761</u>	<u>918,271</u>

<u>\$ 0</u>	<u>\$ 4,497</u>	<u>\$ 1,013</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 1,354,759</u>
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CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

For the Year Ended December 31, 2022

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 0
Tax Increment	0	0	23,919	0	68,918
Intergovernmental	0	0	0	0	0
Charges for Services	0	30,626	0	0	0
Other Revenues	0	19,470	0	0	0
Interest Earnings	(127)	(1,681)	0	104	(471)
Total Revenues	<u>(127)</u>	<u>48,415</u>	<u>23,919</u>	<u>2,604</u>	<u>68,447</u>
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Economic Development	0	69,757	835	0	830
Capital Outlay:					
Economic Development	<u>0</u>	<u>0</u>	<u>22,729</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>69,757</u>	<u>23,564</u>	<u>0</u>	<u>830</u>
Excess of Revenue Over (Under) Expenditure	<u>(127)</u>	<u>(21,342)</u>	<u>355</u>	<u>2,604</u>	<u>67,617</u>
Other Financing Sources (Uses):					
Transfers In	0	387,246	0	0	0
Transfers Out	<u>0</u>	<u>(11,460)</u>	<u>(13,152)</u>	<u>0</u>	<u>(47,000)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>375,786</u>	<u>(13,152)</u>	<u>0</u>	<u>(47,000)</u>
Change in Fund Balance	(127)	354,444	(12,797)	2,604	20,617
Fund Balance - January 1	<u>11,886</u>	<u>683,205</u>	<u>12,711</u>	<u>(10,895)</u>	<u>27,813</u>
Fund Balance - December 31	<u>\$ 11,759</u>	<u>\$ 1,037,649</u>	<u>\$ (86)</u>	<u>\$ (8,291)</u>	<u>\$ 48,430</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500
2,622	0	0	0	0	95,459
0	0	0	0	203,363	203,363
0	12,456	11,125	0	0	54,207
0	0	0	0	0	19,470
0	2,483	245	(159)	(246)	148
<u>2,622</u>	<u>14,939</u>	<u>11,370</u>	<u>(159)</u>	<u>203,117</u>	<u>375,147</u>
0	0	31,438	0	0	31,438
0	14,878	0	0	0	14,878
835	0	0	0	170,487	242,744
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,729</u>
<u>835</u>	<u>14,878</u>	<u>31,438</u>	<u>0</u>	<u>170,487</u>	<u>311,789</u>
<u>1,787</u>	<u>61</u>	<u>(20,068)</u>	<u>(159)</u>	<u>32,630</u>	<u>63,358</u>
0	3,000	2,865	0	0	393,111
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,612)</u>
<u>0</u>	<u>3,000</u>	<u>2,865</u>	<u>0</u>	<u>0</u>	<u>321,499</u>
1,787	3,061	(17,203)	(159)	32,630	384,857
<u>(1,990)</u>	<u>(229,573)</u>	<u>(58,874)</u>	<u>75,000</u>	<u>24,131</u>	<u>533,414</u>
<u>\$ (203)</u>	<u>\$ (226,512)</u>	<u>\$ (76,077)</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 918,271</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
December 31, 2022

	Park	Lions Donation	Street Capital Outlay	Public Works Equipment	Police Equipment	Building Capital Outlay
ASSETS						
Cash and Investments	69,426	283,661	133,811	197,054	544	245,353
Accounts Receivable	0	0	0	68	0	0
Special Assessments	0	0	23,485	0	0	0
TOTAL ASSETS	<u>\$ 69,426</u>	<u>\$ 283,661</u>	<u>\$ 157,296</u>	<u>\$ 197,122</u>	<u>\$ 544</u>	<u>\$ 245,353</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,330
Due to Other Funds	0	0	0	0	0	0
Total Liabilities	<u>413</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,330</u>
Deferred Inflows of Resources:						
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>23,485</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance:						
Restricted	0	0	0	0	0	0
Assigned	69,013	283,661	133,811	197,122	544	180,023
Unassigned	0	0	0	0	0	0
Total Fund Balance	<u>69,013</u>	<u>283,661</u>	<u>133,811</u>	<u>197,122</u>	<u>544</u>	<u>180,023</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 69,426</u>	<u>\$ 283,661</u>	<u>\$ 157,296</u>	<u>\$ 197,122</u>	<u>\$ 544</u>	<u>\$ 245,353</u>

Street Maintenance	Recreation Facility	2020 Improvement Project	Hemlock Project	Lake John Utility Extension	HWY 55 Improvement	Total
141,394	32,785	57,707	\$ 0	\$ 132,777	\$ 0	\$ 1,294,512
0	0	0	0	0	0	68
0	0	0	0	0	0	23,485
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 57,707</u>	<u>\$ 0</u>	<u>\$ 132,777</u>	<u>\$ 0</u>	<u>\$ 1,318,065</u>
\$ 0	\$ 0	\$ 3,218	\$ 17,668	\$ 0	\$ 4,148	\$ 90,777
0	0	0	542,491	0	51,837	594,328
0	0	3,218	560,159	0	55,985	685,105
0	0	0	0	0	0	23,485
0	0	54,489	0	0	0	54,489
141,394	32,785	0	0	132,777	0	1,171,130
0	0	0	(560,159)	0	(55,985)	(616,144)
141,394	32,785	54,489	(560,159)	132,777	(55,985)	609,475
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 57,707</u>	<u>\$ 0</u>	<u>\$ 132,777</u>	<u>\$ 0</u>	<u>\$ 1,318,065</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

For the Year Ended December 31, 2022

	Park	Lions Donation	Street Capital Outlay	Public Works Equipment	Police Equipment	Building Capital Outlay
Revenues:						
Charges for Services	\$ 25,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Revenues	13,800	192,000	0	0	2,000	0
Interest Earnings	(568)	(2,689)	(1,255)	(2,046)	(38)	(2,378)
Total Revenues	<u>38,432</u>	<u>189,311</u>	<u>(1,255)</u>	<u>(2,046)</u>	<u>1,962</u>	<u>(2,378)</u>
Expenditures:						
Current:						
Public Safety	0	0	0	0	25,644	0
Public Works	0	0	0	0	0	0
Parks and Recreation	12,085	0	0	0	0	0
Capital Outlay:						
General Government	0	0	0	0	0	67,829
Public Safety	0	0	0	0	71,070	0
Public Works	0	0	0	87,897	0	0
Park and Recreation	77,867	0	0	0	0	0
Total Expenditures	<u>89,952</u>	<u>0</u>	<u>0</u>	<u>87,897</u>	<u>96,714</u>	<u>67,829</u>
Excess of Revenue Over (Under) Expenditures	<u>(51,520)</u>	<u>189,311</u>	<u>(1,255)</u>	<u>(89,943)</u>	<u>(94,752)</u>	<u>(70,207)</u>
Other Financing Sources (Uses):						
Sale of Capital Assets	0	0	0	5,755	70,603	0
Transfers In	28,595	0	0	60,000	20,000	167,500
Total Other Financing Sources (Uses)	<u>28,595</u>	<u>0</u>	<u>0</u>	<u>65,755</u>	<u>90,603</u>	<u>167,500</u>
Change in Fund Balance	(22,925)	189,311	(1,255)	(24,188)	(4,149)	97,293
Fund Balance - January 1	<u>91,938</u>	<u>94,350</u>	<u>135,066</u>	<u>221,310</u>	<u>4,693</u>	<u>82,730</u>
Fund Balance - December 31	<u>\$ 69,013</u>	<u>\$ 283,661</u>	<u>\$ 133,811</u>	<u>\$ 197,122</u>	<u>\$ 544</u>	<u>\$ 180,023</u>

Street Maintenance	Recreational Facility	2020 Improvement Project	Hemlock Project	Lake John Utility Extension	HWY 55 Improvement	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,200
0	0	0	0	134,250	0	342,050
<u>(1,327)</u>	<u>(386)</u>	<u>(248)</u>	<u>4,916</u>	<u>237</u>	<u>470</u>	<u>(5,312)</u>
<u>(1,327)</u>	<u>(386)</u>	<u>(248)</u>	<u>4,916</u>	<u>134,487</u>	<u>470</u>	<u>361,938</u>
0	0	0	0	0	0	25,644
2,228	0	0	0	1,710	56,455	60,393
0	0	0	0	0	0	12,085
0	0	0	0	0	0	67,829
0	0	0	0	0	0	71,070
0	0	4,820	65,912	0	0	158,629
<u>0</u>	<u>177</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,044</u>
<u>2,228</u>	<u>177</u>	<u>4,820</u>	<u>65,912</u>	<u>1,710</u>	<u>56,455</u>	<u>473,694</u>
<u>(3,555)</u>	<u>(563)</u>	<u>(5,068)</u>	<u>(60,996)</u>	<u>132,777</u>	<u>(55,985)</u>	<u>(111,756)</u>
0	0	0	0	0	0	76,358
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>276,095</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>352,453</u>
(3,555)	(563)	(5,068)	(60,996)	132,777	(55,985)	240,697
<u>144,949</u>	<u>33,348</u>	<u>59,557</u>	<u>(499,163)</u>	<u>0</u>	<u>0</u>	<u>368,778</u>
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 54,489</u>	<u>\$ (560,159)</u>	<u>\$ 132,777</u>	<u>\$ (55,985)</u>	<u>\$ 609,475</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2022

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
ASSETS					
Cash and Investments	\$ 61,252	\$ 0	\$ 0	\$ 17,846	\$ 50,024
Special Assessments	<u>10,440</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,609</u>
TOTAL ASSETS	<u><u>\$ 71,692</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 17,846</u></u>	<u><u>\$ 73,633</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Due to Other Funds	<u>\$ 0</u>	<u>\$ 5,403</u>	<u>\$ 17,088</u>	<u>\$ 0</u>	<u>\$ 0</u>
Deferred Inflows of Resources:					
Unavailable Revenue	<u>10,187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,609</u>
Fund Balance:					
Restricted	61,505	0	0	17,846	50,024
Unassigned	<u>0</u>	<u>(5,403)</u>	<u>(17,088)</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>61,505</u>	<u>(5,403)</u>	<u>(17,088)</u>	<u>17,846</u>	<u>50,024</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 71,692</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 17,846</u></u>	<u><u>\$ 73,633</u></u>

G.O. TIF Bond 2019A	G.O. Refunding Bonds 2019B	G.O. Temporary Improvement Bonds 2020A	G.O. Improvement Refunding Note 2020B	G.O. Equipment Certificates 2022A	Total Debt Service Funds
\$ 64,652	\$ 205,200	\$ 2,174,648	\$ 149,470	\$ 12,175	\$ 2,735,267
<u>128,594</u>	<u>120,228</u>	<u>330,080</u>	<u>155,458</u>	<u>0</u>	<u>768,409</u>
<u>\$ 193,246</u>	<u>\$ 325,428</u>	<u>\$ 2,504,728</u>	<u>\$ 304,928</u>	<u>\$ 12,175</u>	<u>\$ 3,503,676</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,491
<u>128,594</u>	<u>119,873</u>	<u>328,498</u>	<u>155,156</u>	<u>0</u>	<u>765,917</u>
64,652	205,555	2,176,230	149,772	12,175	2,737,759
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,491)</u>
<u>64,652</u>	<u>205,555</u>	<u>2,176,230</u>	<u>149,772</u>	<u>12,175</u>	<u>2,715,268</u>
<u>\$ 193,246</u>	<u>\$ 325,428</u>	<u>\$ 2,504,728</u>	<u>\$ 304,928</u>	<u>\$ 12,175</u>	<u>\$ 3,503,676</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2022

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
Revenues:					
Property Taxes	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	8,386	0	0	0	334
Interest Earnings	(691)	27	213	(114)	(38)
Total Revenues	<u>27,695</u>	<u>27</u>	<u>213</u>	<u>(114)</u>	<u>296</u>
Expenditures:					
Debt Service:					
Principal	95,000	80,000	0	0	270,000
Interest and Fiscal Charges	10,831	1,600	0	0	2,498
Total Expenditures	<u>105,831</u>	<u>81,600</u>	<u>0</u>	<u>0</u>	<u>272,498</u>
Excess of Revenue Over (Under) Expenditures	(78,136)	(81,573)	213	(114)	(272,202)
Other Financing Sources (Uses):					
Bond Proceeds	0	0	0	0	0
Transfers In	56,000	40,000	0	0	113,000
Total Other Financing Sources (Uses)	<u>56,000</u>	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>113,000</u>
Change in Fund Balance	(22,136)	(41,573)	213	(114)	(159,202)
Fund Balance - January 1	<u>83,641</u>	<u>36,170</u>	<u>(17,301)</u>	<u>17,960</u>	<u>209,226</u>
Fund Balance - December 31	<u>\$ 61,505</u>	<u>\$ (5,403)</u>	<u>\$ (17,088)</u>	<u>\$ 17,846</u>	<u>\$ 50,024</u>

G.O. TIF Bonds 2019A	G.O. Refunding Bonds 2019B	G.O. Temporary Improvement Bonds 2020A	G.O. Improvement Refunding Note 2020B	G.O. Equipment Certificates 2022A	Total Debt Service Funds
\$ 0	\$ 100,000	\$ 0	\$ 10,000	\$ 0	\$ 130,000
18,587	44,389	36,827	32,280	0	140,803
(585)	(2,704)	(1,511)	(2,101)	(110)	(7,614)
<u>18,002</u>	<u>141,685</u>	<u>35,316</u>	<u>40,179</u>	<u>(110)</u>	<u>263,189</u>
35,000	136,000	0	22,000	0	638,000
26,554	39,303	58,100	5,569	0	144,455
<u>61,554</u>	<u>175,303</u>	<u>58,100</u>	<u>27,569</u>	<u>0</u>	<u>782,455</u>
(43,552)	(33,618)	(22,784)	12,610	(110)	(519,266)
0	0	0	0	12,285	12,285
47,000	50,000	2,038,095	0	0	2,344,095
<u>47,000</u>	<u>50,000</u>	<u>2,038,095</u>	<u>0</u>	<u>12,285</u>	<u>2,356,380</u>
3,448	16,382	2,015,311	12,610	12,175	1,837,114
61,204	189,173	160,919	137,162	0	878,154
<u>\$ 64,652</u>	<u>\$ 205,555</u>	<u>\$ 2,176,230</u>	<u>\$ 149,772</u>	<u>\$ 12,175</u>	<u>\$ 2,715,268</u>

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Investments	\$ 1,556,441	\$ 1,443,615
Accounts Receivable	4,489	6,913
Property Taxes	68,996	50,797
Prepaid Expense	100,941	108,424
Special Assessments	4,486	0
Due from Other Funds	884,730	1,157,734
Due from Other Governments	<u>47,630</u>	<u>72,562</u>
TOTAL ASSETS	<u><u>\$ 2,667,713</u></u>	<u><u>\$ 2,840,045</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued Expenses	\$ 176,671	\$ 111,910
Due to Other Governments	643	0
Unearned Revenue	113,150	78,718
Advance to Other Funds	<u>58,350</u>	<u>83,350</u>
Total Liabilities	<u>348,814</u>	<u>273,978</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Delinquent Taxes	<u>31,192</u>	<u>11,323</u>
Fund Balance:		
Nonspendable	100,941	108,424
Assigned	246,803	256,813
Unassigned	<u>1,939,963</u>	<u>2,189,507</u>
Total Fund Balance	<u>2,287,707</u>	<u>2,554,744</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,667,713</u></u>	<u><u>\$ 2,840,045</u></u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Revenues:					
Taxes:					
Property	\$ 1,528,097	1,528,097	\$ 1,515,118	\$ (12,979)	\$ 1,146,128
Franchise	17,000	17,000	16,240	(760)	16,171
Total Taxes	<u>1,545,097</u>	<u>1,545,097</u>	<u>1,531,358</u>	<u>(13,739)</u>	<u>1,162,299</u>
Intergovernmental:					
Police Department Grants	0	0	1,198	1,198	4,758
Local Government Aid	542,757	542,757	542,757	0	527,753
Police Department Training Reimbursement	6,500	6,500	7,104	604	7,213
Fire Department Training Reimbursement	5,000	5,000	2,360	(2,640)	8,570
State Fire Aid	45,000	45,000	61,175	16,175	56,319
Police State Aid	40,000	40,000	50,082	10,082	27,578
Police DWI Seizure	0	0	562	562	0
State Aid - MV Credit	0	0	572	572	523
Snow Removal Reimb.	3,000	3,000	10,855	7,855	3,315
American Rescue Plan	0	0	192,173	192,173	192,173
Total Intergovernmental	<u>642,257</u>	<u>642,257</u>	<u>868,838</u>	<u>226,581</u>	<u>828,202</u>
Licenses and Permits	<u>80,300</u>	<u>80,300</u>	<u>152,269</u>	<u>71,969</u>	<u>85,996</u>
Charges for Services:					
City Hall Rent	800	800	520	(280)	380
Nuisances & Lawn Mowing	0	0	0	0	214
Zoning & Subdivision Fees	0	0	5,850	5,850	1,084
Assessment Searches	600	600	820	220	1,230
Copier Receipts - Admin	55	55	15	(40)	8
Phone Reimbursement	200	200	26	(174)	64
Police Special Services	2,000	2,000	1,000	(1,000)	2,303
School Resource Officer	19,000	19,000	19,000	0	28,500
Rural Fire Service	149,256	149,256	155,741	6,485	171,447
Police Reports	100	100	143	43	67
Fingerprints	175	175	480	305	570
PD - Range Training	0	0	0	0	200
Police Background Checks	100	100	70	(30)	0
WW Comm Snow Removal Reimbursement	3,000	3,000	0	(3,000)	6,885
WW Comm Reimbursement - Labor	70,000	70,000	90,307	20,307	64,915
WW Comm Reimbursement - Mileage	7,650	7,650	7,192	(458)	6,723
Pavilion Rental	13,000	13,000	8,670	(4,330)	13,393
Portable Stage Rent	0	0	0	0	1,215
Sales of Maps & Publications - DMV	100	100	0	(100)	679
Commissions - DMV	<u>200,000</u>	<u>200,000</u>	<u>209,619</u>	<u>9,619</u>	<u>216,385</u>
Total Charges for Services	<u>466,036</u>	<u>466,036</u>	<u>499,453</u>	<u>33,417</u>	<u>516,262</u>
Fines	<u>12,200</u>	<u>12,200</u>	<u>10,529</u>	<u>(1,671)</u>	<u>17,444</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Revenues (Continued):					
Other Revenues:					
Revenues - Fire	\$ 0	\$ 0	\$ 4,742	\$ 4,742	\$ 0
Misc Revenues-Elections	0	0	6	6	0
Misc Revenues-Admin	0	0	500	500	268
Misc Revenues-Police	0	0	550	550	0
Misc Revenues - Fire	0	0	273	273	0
Misc Revenues-Public Works	0	0	1,923	1,923	2,657
Misc Revenues-Streets	0	0	0	0	1,026
Misc Revenues-Parks	0	0	289	289	100
PD Donations	0	0	13,835	13,835	515
Property & Casualty Insurance Refund	0	0	7,190	7,190	0
COVID Wage/Tax Credits-Admin	0	0	0	0	1,529
Land Use Escrow	0	0	68,958	68,958	0
Miscellaneous Revenues - P&Z	0	0	16,252	16,252	91,742
Total Other Revenues	0	0	114,518	114,518	97,837
Investment Earnings	30,000	30,000	(3,045)	(33,045)	37,059
Total Revenues	2,775,890	2,775,890	3,173,920	398,030	2,745,099
Current Expenditures:					
General Government:					
Mayor and Council:					
Office Supplies	0	0	0	0	35
Professional Services	280	280	175	(105)	263
Travel/Training	400	400	170	(230)	285
Printing & Publishing	5,500	5,500	3,811	(1,689)	3,223
Dues And Subscriptions	6,285	6,285	7,300	1,015	5,320
Miscellaneous	0	0	0	0	105
Employee Apprec/Retention	800	800	1,484	684	852
Contrib To Community Service	10,200	10,200	9,000	(1,200)	10,200
Salaries (P/T) Legislative	9,795	9,795	9,959	164	11,305
Fica - Legislative	607	607	617	10	579
Medicare - Legislative	142	142	144	2	136
Worker's Compensation	2,200	2,200	1,553	(647)	2,654
Government Building:					
Salaries (P/T)	0	0	0	0	47
Worker's Compensation	1,800	1,800	1,531	(269)	1,832
Operating Supplies	2,000	2,000	1,829	(171)	1,824
Maint & Repair Supplies	200	200	0	(200)	0
Contracted Cleaning Service	7,650	7,650	6,126	(1,524)	9,433
Comp Insurance	2,500	2,500	4,756	2,256	2,836
Electricity-City Hall	12,000	12,000	22,329	10,329	12,448
Water & Sewer-City Hall	3,500	3,500	(181)	(3,681)	5,258
Natural Gas-City Hall	3,000	3,000	4,015	1,015	4,188
Building Security	350	350	251	(99)	252
Maint & Repair (Bldg)	8,000	8,000	7,654	(346)	7,164
Maint & Repair	100	100	40	(60)	0
Miscellaneous	700	700	890	190	64

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
General Government:					
Government Building:					
Wages (P/T) - PW Crew Time	\$ 4,433	\$ 4,433	\$ 4,210	\$ (223)	\$ 4,123
Wages (O/T) - PW Crew Time	440	440	196	(244)	15
On Call-Public Works	109	109	165	56	278
Pera - Public Works	373	373	341	(32)	330
Fica - Public Works	308	308	256	(52)	249
Medicare - Public Works	71	71	60	(11)	58
Insurance Benefits - PW Crew	1,047	1,047	1,009	(38)	953
Elections:					
Other Supplies	0	0	978	978	0
Payroll Expense-Elect Judge	3,250	3,250	2,932	(318)	0
Travel/Training	0	0	70	70	0
Printing and Publishing	125	125	160	35	0
Maint Contract (Voting Machine)	400	400	0	(400)	376
Finance:					
Wages (F/T)	181,267	181,267	180,177	(1,090)	134,034
Overtime (F/T)	500	500	171	(329)	606
Pera	13,506	13,506	13,037	(469)	10,785
Fica	11,165	11,165	10,308	(857)	8,382
Medicare	2,557	2,557	2,411	(146)	1,960
Insurance Benefits	19,645	19,645	34,334	14,689	16,551
Worker's Compensation	3,400	3,400	2,793	(607)	3,269
Office Supplies	3,500	3,500	4,272	772	4,522
Other Supplies	700	700	1,128	428	844
Professional Services	1,248	1,248	1,643	395	1,578
Engineering Fees	2,000	2,000	1,459	(541)	10,681
Legal Expenses	7,000	7,000	8,694	1,694	15,069
Other Consultant	4,000	4,000	6,731	2,731	508
Payroll Expense	660	660	345	(315)	812
Telephone/Internet	5,200	5,200	4,554	(646)	5,762
Postage	3,200	3,200	2,346	(854)	3,302
Travel/Training	5,000	5,000	1,007	(3,993)	4,354
Printing And Publishing	1,500	1,500	2,801	1,301	1,105
Comp Insurance	1,385	1,385	1,378	(7)	1,317
Maint. & Repair (Equipment)	0	0	0	0	491
Maint. Contract - Copier	3,200	3,200	2,940	(260)	1,583
Maint Contract - Software	3,600	3,600	13,262	9,662	5,473
Maintenance - Technology	1,800	1,800	2,998	1,198	4,549
Postage Meter Rent	450	450	771	321	1,094
Cash Short	0	0	(62)	(62)	0
Dues and Subscriptions	800	800	380	(420)	874
Miscellaneous	500	500	2,209	1,709	3,169
Credit Card Fees	700	700	1,111	411	1,071
Sales Tax	0	0	526	526	1,593

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
General Government:					
Planning & Zoning:					
Professional Services	\$ 208	\$ 208	\$ 175	\$ (33)	\$ 263
Engineering Fees	250	250	5,019	4,769	(17,758)
Legal Fees	780	780	4,703	3,923	2,565
Other Consultant	1,500	1,500	16,857	15,357	5,718
Recording Fee Variance & Supplies	200	200	1,689	1,489	0
Postage	180	180	122	(58)	182
Training/Travel	250	250	0	(250)	0
Printing & Publishing	200	200	1,055	855	358
Miscellaneous	50	50	14,119	14,069	53
Salaries (P/T) - P & Z	1,320	1,320	1,020	(300)	1,220
Fica - P & Z	82	82	63	(19)	76
Medicare - P & Z	19	19	15	(4)	18
Worker's Compensation	2,200	2,200	1,556	(644)	1,865
Engineering Fees	0	0	62,825	62,825	54,349
Legal Fees	0	0	5,243	5,243	361
Other Consultant	0	0	23,926	23,926	1,463
Assessor:					
Assessors' Fees	22,750	22,750	22,410	(340)	21,900
Deputy Registrar:					
Salary (F/T)	103,022	103,022	99,112	(3,910)	67,112
Overtime (F/T)	2,000	2,000	220	(1,780)	2,163
Salaries (P/T)	39,016	39,016	34,411	(4,605)	55,402
Pera	10,803	10,803	9,508	(1,295)	9,498
Fica	8,930	8,930	7,879	(1,051)	8,049
Medicare	2,045	2,045	1,843	(202)	1,901
Insurance Benefits	7,274	7,274	6,156	(1,118)	4,486
Worker's Compensation	3,100	3,100	2,793	(307)	3,269
Office Supplies	1,000	1,000	1,280	280	1,405
Maps	200	200	150	(50)	0
DMV Manuals	400	400	0	(400)	593
Professional Services	832	832	698	(134)	1,052
Payroll Expense	0	0	311	311	731
Telephone (Fax)	2,895	2,895	3,489	594	3,373
Postage	1,550	1,550	1,094	(456)	1,634
Travel/Training	100	100	57	(43)	422
Printing & Publishing	1,500	1,500	3,725	2,225	408
Comp Insurance	1,390	1,390	1,378	(12)	1,317
Maint. & Repair (Equipment)	100	100	420	320	364
Maint. Contract (Software)	200	200	0	(200)	40
Maint. Contract - Copier	2,000	2,000	2,030	30	2,454
Maintenance - Technology	150	150	2,935	2,785	2,816
Dues And Subscriptions	400	400	370	(30)	450
Miscellaneous	0	0	667	667	33
Total General Government	585,944	585,944	738,877	152,933	573,628

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual Amounts	Final Budget	Actual Amounts
Current Expenditures (Continued):					
Public Safety:					
Police Department:					
Wages (F/T)	\$ 373,393	\$ 373,393	\$ 392,467	\$ 19,074	\$ 352,313
Overtime (F/T)	20,078	20,078	18,488	(1,590)	17,700
Salaries (P/T)	27,040	27,040	23,770	(3,270)	28,770
Salaries (P/T) - Secretary	42,964	42,964	33,361	(9,603)	42,517
Pera	80,996	80,996	71,243	(9,753)	74,809
Fica	2,664	2,664	2,920	256	2,726
Medicare	6,498	6,498	6,113	(385)	6,041
Insurance Benefits	73,699	73,699	73,732	33	74,104
Worker's Compensation	27,000	27,000	27,498	498	26,256
Office Supplies	2,500	2,500	840	(1,660)	1,673
Operating Supplies	1,300	1,300	1,260	(40)	1,720
Range Training Supplies	1,500	1,500	2,671	1,171	572
Motor Fuels - Police Dept	13,200	13,200	17,798	4,598	13,868
Clothing/Uniforms	5,000	5,000	4,230	(770)	3,695
Vehicle Equipment	2,000	2,000	2,235	235	198
Police Equipment	3,000	3,000	4,000	1,000	3,738
Professional Services	3,536	3,536	2,967	(569)	4,471
Legal Fees (Prosecutions)	23,500	23,500	26,743	3,243	21,971
Personnel Testing & Recruitment	1,000	1,000	0	(1,000)	0
State Fee - Traffic Citations	800	800	300	(500)	0
Contracted Cleaning Service	1,620	1,620	1,764	144	2,058
Payroll Expense	2,060	2,060	1,209	(851)	2,843
Special Investigations	1,500	1,500	360	(1,140)	247
Narcotics Enforcement	600	600	25	(575)	56
Computer Data Access Line	250	250	0	(250)	0
Telephone/Internet	7,200	7,200	7,623	423	8,578
Postage	400	400	388	(12)	507
Radio Units	1,020	1,020	2,205	1,185	2,100
State Charges - BCA	1,080	1,080	1,620	540	810
Travel/Training	3,000	3,000	3,921	921	4,039
Vehicle License	600	600	526	(74)	177
Printing & Publishing	500	500	821	321	1,319
Comp Insurance	1,850	1,850	2,448	598	2,119
Vehicle Insurance	5,000	5,000	5,634	634	4,795
Maint & Repair (Equip)	500	500	311	(189)	68
Maint. Contract Software	3,800	3,800	2,744	(1,056)	2,664
Maint Contract - Copier	250	250	393	143	360
Maint & Repair (Technology)	3,500	3,500	6,948	3,448	3,988
Maint & Repair (Vehicle)	7,400	7,400	7,419	19	5,445
Dues & Subscriptions	1,000	1,000	3,824	2,824	1,422
Towing Charges	200	200	984	784	540
Miscellaneous	400	400	0	(400)	250
Community Policing Events	200	200	526	326	15
Sales Tax	0	0	8	8	4

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
Public Safety:					
Fire Department:					
Fire Relief Association	\$ 45,000	\$ 45,000	\$ 61,175	\$ 16,175	\$ 56,319
Fire Relief Assoc. (Muni Contribution)	3,000	3,000	3,000	0	3,000
Worker's Compensation	21,200	21,200	14,454	(6,746)	17,353
Office Supplies	750	750	228	(522)	486
Training Supplies	125	125	0	(125)	0
Other Supplies	2,000	2,000	2,961	961	2,878
Motor Fuels-Fire Dept	3,000	3,000	5,672	2,672	3,119
Clothing	10,000	10,000	10,004	4	3,311
Maint & Repair Supplies	500	500	917	417	599
Equipment/Parts	500	500	233	(267)	0
Tools & Small Equipment	1,000	1,000	1,326	326	1,281
Professional Services	1,040	1,040	873	(167)	1,315
Legal Fees	100	100	608	508	0
Medical Fees	7,500	7,500	6,418	(1,082)	7,804
Personnel Testing & Recruitment	1,300	1,300	0	(1,300)	0
Contracted Cleaning Service	3,000	3,000	2,450	(550)	3,430
Payroll Expense	160	160	104	(56)	244
Telephone	2,600	2,600	2,598	(2)	2,304
Postage	400	400	255	(145)	433
Radio Units	5,000	5,000	5,124	124	7,423
Travel/Training	8,000	8,000	14,136	6,136	18,392
Vehicle License	100	100	66	(34)	61
Printing & Publishing	200	200	608	408	20
Comp. Insurance	3,450	3,450	5,590	2,140	3,764
Vehicle Insurance	5,500	5,500	2,093	(3,407)	2,225
Electricity - Fire Dept	8,000	8,000	9,495	1,495	5,722
Water & Sewer - Fire Dept	2,000	2,000	1,542	(458)	1,338
Natural Gas - Fire Dept	4,000	4,000	6,131	2,131	6,004
Maint & Repair (Bldg)	7,000	7,000	9,001	2,001	5,030
Maint & Repair (Equip)	1,000	1,000	4,887	3,887	4,100
Maint. Contract (Software)	700	700	10,894	10,194	930
Maint Contract - Air Compressor	0	0	75	75	0
Maint. Contract - Copier	100	100	0	(100)	0
Maint & Repair (Vehicle)	18,000	18,000	26,898	8,898	19,849
Dues & Subscriptions	700	700	1,986	1,286	1,236
Miscellaneous	500	500	142	(358)	822
Salaries (P/T) - Fire Dept	49,200	49,200	58,032	8,832	44,075
Fica - Fire Dept	2,542	2,542	3,269	727	3,151
Medicare - Fire Dept	582	582	765	183	939
Wages (F/T) - PW Crew Time	6,085	6,085	5,450	(635)	5,827
Wages (O/T) - PW Crew Time	290	290	190	(100)	48
On Call-Public Works	62	62	105	43	179
Pera - Public Works	478	478	419	(59)	454
Fica - Public Works	395	395	340	(55)	403
Medicare - Public Works	91	91	80	(11)	94
Insurance Benefits - PW	990	990	762	(228)	929

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
Public Safety:					
Building Inspector:					
Professional Services	\$ 416	\$ 416	\$ 349	\$ (67)	\$ 526
Inspector's Fees	25,000	25,000	51,763	26,763	30,405
Payroll Expense	150	150	69	(81)	162
State Surcharge Tax	2,000	2,000	7,877	5,877	592
Salary (F/T) - PW/Admin	33,487	33,487	32,669	(818)	27,659
Overtime (F/T) - PW/Admin	200	200	103	(97)	13
Pera	2,466	2,466	2,300	(166)	2,185
Fica	2,038	2,038	1,876	(162)	1,801
Medicare	467	467	439	(28)	421
Insurance Benefits	3,146	3,146	3,215	69	2,610
Civil Defense:					
Maint. & Repair Equip	400	400	0	(400)	0
Animal Control:					
Other Supplies	150	150	61	(89)	154
Veterinary Services	400	400	0	(400)	0
Total Public Safety	<u>1,054,058</u>	<u>1,054,058</u>	<u>1,146,414</u>	<u>92,356</u>	<u>1,024,965</u>
Public Works:					
Public Works:					
Salaries (F/T)	86,820	86,820	86,393	(427)	77,397
Overtime (F/T)	8,062	8,062	3,181	(4,881)	470
Salaries (P/T)	0	0	4,453	4,453	0
On Call - Public Works	2,106	2,106	2,813	707	8,511
Pera - Public Works	7,258	7,258	6,582	(676)	6,770
Fica - Public Works	6,000	6,000	5,220	(780)	5,107
Medicare - Public Works	1,374	1,374	1,221	(153)	1,196
Insurance Benefits - PW	20,589	20,589	20,650	61	19,832
Worker's Compensation	2,200	2,200	1,531	(669)	1,859
Office Supplies	500	500	2	(498)	85
Operating Supplies	8,000	8,000	11,578	3,578	9,427
Motor Fuels - Public Works	15,000	15,000	20,713	5,713	15,563
Clothing	800	800	988	188	200
Maint & Repair Supplies	3,000	3,000	3,689	689	1,099
Tools & Small Equipment	1,173	1,173	2,836	1,663	1,385
Professional Services	1,248	1,248	1,047	(201)	1,578
Engineering Fees	0	0	12,762	12,762	539
Payroll Expense	440	440	242	(198)	569
Compost Site Expense	8,000	8,000	24,660	16,660	1,465
Telephone	2,250	2,250	3,895	1,645	3,470
Postage	115	115	81	(34)	130
Radio Units/Cell Phones	2,500	2,500	745	(1,755)	3,579
Travel/Training	2,000	2,000	740	(1,260)	733
Vehicle Licenses	250	250	272	22	21
Printing & Publishing	300	300	446	146	21
Comp Insurance	4,710	4,710	5,802	1,092	5,033
Vehicle Insurance	1,000	1,000	685	(315)	632

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
Public Works:					
Public Works:					
Insurance Claims	\$ 250	\$ 250	\$ 0	\$ (250)	\$ 0
Water & Sewer - Public Works	2,300	2,300	1,522	(778)	1,470
Natural Gas - Public Works	500	500	711	211	904
Maint & Repair (Bldg)	1,500	1,500	4,174	2,674	2,131
Maint & Repair (Equip)	4,000	4,000	5,868	1,868	4,776
Maint Contract Copier	360	360	412	52	303
Maint. & Repair (Technology)	200	200	1,550	1,350	69
Maint & Repair (Vehicle)	2,500	2,500	25	(2,475)	602
Uniform Rental - Public Works	1,400	1,400	174	(1,226)	1,257
Miscellaneous	100	100	32	(68)	21
Salaries (P/T) Seasonal	3,744	3,744	0	(3,744)	187
Fica - Seasonal	241	241	(14)	(255)	40
Medicare - Seasonal	55	55	(3)	(58)	9
Streets:					
Salary (F/T)	87,682	87,682	84,528	(3,154)	79,411
Overtime (F/T)	8,586	8,586	3,642	(4,944)	458
Salaries (P/T)	0	0	0	0	200
On Call-Public Works	2,044	2,044	2,872	828	5,830
Pera	7,351	7,351	6,472	(879)	6,687
Fica	6,077	6,077	4,872	(1,205)	5,049
Medicare	1,392	1,392	1,139	(253)	1,182
Insurance Benefits	19,977	19,977	20,057	80	18,738
Worker's Compensation	2,200	2,200	1,531	(669)	1,832
Other Supplies	200	200	265	65	453
Motor Fuels - Streets	4,500	4,500	11,219	6,719	3,872
Street Maint. Materials	19,000	19,000	23,372	4,372	15,689
Signage Materials	4,000	4,000	2,107	(1,893)	2,059
Small Tools	500	500	376	(124)	737
Professional Services	1,248	1,248	1,047	(201)	1,578
Engineering Fees	5,000	5,000	0	(5,000)	27,395
Snow Removal Contractor	1,500	1,500	0	(1,500)	420
Payroll Expense	440	440	242	(198)	569
Vehicle License	0	0	39	39	0
Comp Insurance	5,100	5,100	3,863	(1,237)	5,166
Vehicle Insurance	1,600	1,600	1,057	(543)	1,294
Electricity (Street Lights)	53,000	53,000	32,156	(20,844)	41,867
Maint & Repair (Streets)	6,500	6,500	8,503	2,003	5,261
Maint & Repair (Equip)	12,000	12,000	31,224	19,224	13,612
Maint. & Repair (Ditches)	6,000	6,000	0	(6,000)	200
Maint & Repair (Str. Lights)	2,500	2,500	37	(2,463)	1,056
RR Crossing	0	0	0	0	150
Miscellaneous	0	0	2,500	2,500	0
Total Public Works	461,242	461,242	480,798	19,556	419,205

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
Parks and Recreation:					
Parks Commission:					
Salaries (P/T) - Parks Comm	\$ 1,320	\$ 1,320	\$ 1,570	\$ 250	\$ 1,170
Fica - Park Commission	82	82	95	13	73
Medicare - Park Commision	19	19	22	3	17
Worker's Compensation	2,200	2,200	1,556	(644)	1,864
Professional Services	208	208	175	(33)	263
Engineering Fees	100	100	475	375	0
Legal Fees	100	100	0	(100)	0
Postage	170	170	122	(48)	182
Miscellaneous	150	150	0	(150)	0
Parks Department:					
Salary (F/T)	25,548	25,548	25,166	(382)	22,655
Wages (O/T) - PW Crew Time	2,199	2,199	1,119	(1,080)	103
Salaries (P/T)	0	0	8,906	8,906	0
On Call-Public Works	546	546	779	233	1,433
Pera - Public Works	2,114	2,114	1,913	(201)	1,897
Fica - Public Works	1,748	1,748	2,021	273	1,452
Medicare - Public Works	400	400	473	73	340
Insurance Benefits - PW	5,627	5,627	5,235	(392)	5,149
Worker's Compensation	3,025	3,025	2,300	(725)	1,999
Operating Supplies	3,000	3,000	7,476	4,476	4,763
Motor Fuels - Parks	5,000	5,000	7,925	2,925	5,524
Maint & Repair Supplies	1,500	1,500	252	(1,248)	1,656
Portable Stage Maint. & Repair	500	500	7,338	6,838	0
Tools and Small Equipment	0	0	16	16	101
Professional Services	624	624	524	(100)	789
Contracted Cleaning Service	0	0	1,390	1,390	5,120
Payroll Expense	160	160	104	(56)	244
Tree Removal	1,000	1,000	0	(1,000)	0
Comp Insurance	24,760	24,760	22,561	(2,199)	25,640
Electricity - Parks	9,000	9,000	6,532	(2,468)	6,259
Water & Sewer - Parks	4,500	4,500	9,292	4,792	8,895
Natural Gas - Parks	1,200	1,200	1,559	359	1,682
Maint & Repair (Bldgs)	4,500	4,500	4,663	163	3,010
Lake & Beach Maintenance	1,200	1,200	259	(941)	1,765
Maint & Repair (Equip)	2,000	2,000	5,099	3,099	2,538
Maint & Repair (Landscaping)	7,000	7,000	9,021	2,021	13,640
Portable Toilets (4th Of July)	6,000	6,000	6,779	779	5,805
Miscellaneous	22,000	22,000	23,195	1,195	106
Salaries (P/T)	7,488	7,488	0	(7,488)	388
Fica - Seasonal	482	482	0	(482)	40
Medicare - Seasonal	113	113	0	(113)	9

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Budget		2022	Over (Under)	2021
	Original	Final	Actual	Final	Actual
			Amounts	Budget	Amounts
Current Expenditures (Continued):					
Parks and Recreation:					
Library:					
Contracted Cleaning Service	\$ 4,440	\$ 4,440	\$ 4,851	\$ 411	\$ 5,660
Comp Insurance	835	835	1,332	497	940
Electricity - Library	2,000	2,000	2,000	0	2,000
Water & Sewer - Library	325	325	325	0	325
Natural Gas - Library	1,500	1,500	1,500	0	1,500
Maint. & Repair (Bldg)	1,000	1,000	380	(620)	345
Wages (F/T) PW Crew Time	4,424	4,424	4,220	(204)	4,113
Wages (O/T) - PW Crew Time	438	438	195	(243)	17
On Call - Public Works	109	109	156	47	287
Pera - Public Works	373	373	341	(32)	330
Fica - Public Works	308	308	256	(52)	249
Medicare - Public Works	71	71	60	(11)	58
Insurance Benefits - PW	1,047	1,047	1,009	(38)	953
Total Parks and Recreation	<u>164,453</u>	<u>164,453</u>	<u>182,537</u>	<u>18,084</u>	<u>143,348</u>
Capital Outlay:					
General Government	2,600	2,600	9,400	6,800	7,440
Public Safety	1,500	1,500	1,162	(338)	1,262
Public Works	0	0	5,000	5,000	0
Park and Recreation	0	0	19,175	19,175	4,216
Total Capital Outlay	<u>4,100</u>	<u>4,100</u>	<u>34,737</u>	<u>30,637</u>	<u>12,918</u>
Total Expenditures	<u>2,269,797</u>	<u>2,269,797</u>	<u>2,583,363</u>	<u>313,566</u>	<u>2,174,064</u>
Excess of Revenues Over (Under) Expenditures	<u>506,093</u>	<u>506,093</u>	<u>590,557</u>	<u>84,464</u>	<u>571,035</u>
Other Financing Sources (Uses):					
Operating Transfers Out	(526,400)	(526,400)	(870,746)	344,346	(226,900)
Operating Transfers In	0	0	13,152	13,152	0
Total Other Financing Sources (Uses)	<u>(526,400)</u>	<u>(526,400)</u>	<u>(857,594)</u>	<u>(331,194)</u>	<u>(226,900)</u>
Change in Fund Balance	<u>\$ (20,307)</u>	<u>\$ (20,307)</u>	(267,037)	<u>\$ (246,730)</u>	344,135
Fund Balance - January 1			<u>2,554,744</u>		<u>2,210,609</u>
Fund Balance - December 31			<u>\$ 2,287,707</u>		<u>\$ 2,554,744</u>

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CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Investments	\$ 641,574	\$ 452,752
Accounts Receivable	54,522	53,593
Due from Other Governments	6,275	5,786
Prepaid Expense	14,544	9,829
Total Current Assets	<u>716,915</u>	<u>521,960</u>
Noncurrent Assets:		
Advance to Other Funds	58,700	73,700
Special Assessments	2,609	3,652
Capital Assets Not Being Depreciated	143,700	66,881
Other Capital Assets, Net of Depreciation	4,803,307	4,998,032
Total Noncurrent Assets	<u>5,008,316</u>	<u>5,142,265</u>
Total Assets	5,725,231	5,664,225
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>94,318</u>	<u>55,213</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,819,549</u>	<u>\$ 5,719,438</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 24,711	\$ 23,442
Due to Other Governments	1,786	0
Current Portion of Long-term Debt	285,413	250,000
Total Current Liabilities	<u>311,910</u>	<u>273,442</u>
Long-term Liabilities:		
Revenue Note Payable, Net of Current Portion	1,712,632	844,000
Net Pension Liability	125,445	62,661
Total Liabilities	<u>2,149,987</u>	<u>1,180,103</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>37,753</u>	<u>62,924</u>
Net Position:		
Net Investment in Capital Assets	2,948,961	3,970,913
Unrestricted	682,848	505,498
Total Net Position	<u>3,631,809</u>	<u>4,476,411</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,819,549</u>	<u>\$ 5,719,438</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 635,067	\$ 651,471	\$ 16,404	\$ 676,708
Operating Expenses:				
Personnel Services	174,483	173,599	(884)	144,938
Materials and Supplies	36,700	79,883	43,183	84,313
Professional Fees	3,894	33,546	29,652	8,686
Insurance	11,634	13,145	1,511	12,135
Utilities	35,000	55,476	20,476	38,844
Repairs and Maintenance	22,625	22,783	158	40,419
Contracted Services	6,400	3,282	(3,118)	1,598
Other Charges	11,900	13,443	1,543	13,541
Depreciation	0	194,725	194,725	172,080
Total Operating Expenses	<u>302,636</u>	<u>589,882</u>	<u>287,246</u>	<u>516,554</u>
Income (Loss) from Operations	332,431	61,589	(270,842)	160,154
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(216,699)	(27,098)	189,601	(22,243)
Reimbursements	25,879	32,333	6,454	17,495
Access Fees and Other Revenues	26,000	204,041	178,041	76,552
Investment Earnings	600	(5,901)	(6,501)	793
Total Nonoperating Revenues (Expenses)	<u>(164,220)</u>	<u>203,375</u>	<u>367,595</u>	<u>72,597</u>
Income Before Transfers and Other Items	168,211	264,964	96,753	232,751
Transfers and Other Items				
Capital Contributions	0	(1,054,566)	(1,054,566)	958,236
Transfers In	1	0	(1)	0
Transfers Out	<u>(105,000)</u>	<u>(55,000)</u>	<u>50,000</u>	<u>(70,000)</u>
Total Transfers and Other Items	<u>(104,999)</u>	<u>(1,109,566)</u>	<u>(1,004,567)</u>	<u>888,236</u>
Change in Net Position	<u>\$ 63,212</u>	(844,602)	<u>\$ (907,814)</u>	1,120,987
Net Position - January 1		<u>4,476,411</u>		<u>3,355,424</u>
Net Position - December 31		<u>\$ 3,631,809</u>		<u>\$ 4,476,411</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

SEWER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Investments	\$ 52,342	\$ 1,565
Accounts Receivable	109,641	109,099
Due from Other Governments	17,400	22,092
Prepaid Expense	14,937	13,001
Total Current Assets	<u>194,320</u>	<u>145,757</u>
Noncurrent Assets:		
Special Assessments	2,609	3,652
Restricted Cash	234,011	193,087
Equity Interest in Joint Venture	6,154,083	6,581,047
Capital Assets Not Being Depreciated	273,144	191,067
Other Capital Assets, Net of Depreciation	3,677,421	3,813,719
Total Noncurrent Assets	<u>10,341,268</u>	<u>10,782,572</u>
Total Assets	10,535,588	10,928,329
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>141,675</u>	<u>81,483</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,677,263</u>	<u>\$ 11,009,812</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 107,668	\$ 110,257
Due to Other Governments	96,243	51,072
Due to Other Funds	0	276,500
Current Portion of Long-term Debt	1,028,362	1,004,000
Total Current Liabilities	<u>1,232,273</u>	<u>1,441,829</u>
Long-term Liabilities:		
Revenue Notes Payable, Net of Current Portion	3,492,709	4,306,000
Net Pension Liability	188,430	92,474
Total Liabilities	<u>4,913,412</u>	<u>5,840,303</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>56,708</u>	<u>92,862</u>
Net Position:		
Net Investment in Capital Assets	3,649,494	3,912,786
Restricted	234,011	193,087
Unrestricted	1,823,638	970,774
Total Net Position	<u>5,707,143</u>	<u>5,076,647</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,677,263</u>	<u>\$ 11,009,812</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 1,125,743	\$ 1,176,791	\$ 51,048	\$ 1,179,770
Operating Expenses:				
Personnel Services	262,603	240,333	(22,270)	208,988
Materials and Supplies	11,000	11,735	735	13,083
Professional Fees	4,124	4,643	519	6,350
Insurance	10,734	11,004	270	10,586
Utilities	12,500	17,976	5,476	13,829
Repairs and Maintenance	56,325	17,782	(38,543)	19,446
Wastewater Commission Charges	728,000	706,041	(21,959)	621,257
Contracted Services	6,550	5,649	(901)	4,473
Other Charges	35,000	(3,538)	(38,538)	(37)
Depreciation	0	136,297	136,297	115,262
Total Operating Expenses	<u>1,126,836</u>	<u>1,147,922</u>	<u>21,086</u>	<u>1,013,237</u>
Income (Loss) from Operations	(1,093)	28,869	29,962	166,533
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(1,113,840)	(116,503)	997,337	(129,447)
Reimbursements	1,179,840	1,200,062	20,222	1,178,207
Government Grants	0	860,285	860,285	0
Access Fees and Other Revenues	40,700	174,939	134,239	70,609
Investment Earnings	600	(2,663)	(3,263)	1,726
Total Nonoperating Revenues (Expenses)	<u>107,300</u>	<u>2,116,120</u>	<u>2,008,820</u>	<u>1,121,095</u>
Income Before Transfers and Other Items	106,207	2,144,989	2,038,782	1,287,628
Transfers and Other Items				
Capital Contributions	0	(983,529)	(983,529)	893,857
Change in Equity Interest	0	(426,964)	(426,964)	(151,645)
Transfers In	22,500	0	(22,500)	0
Transfers Out	(159,000)	(104,000)	55,000	(144,000)
Total Transfers and Other Items	<u>(136,500)</u>	<u>(1,514,493)</u>	<u>(1,377,993)</u>	<u>598,212</u>
Change in Net Position	<u>\$ (30,293)</u>	630,496	<u>\$ 660,789</u>	1,885,840
Net Position - January 1		<u>5,076,647</u>		<u>3,190,807</u>
Net Position - December 31		<u>\$ 5,707,143</u>		<u>\$ 5,076,647</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

REFUSE FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Investments	\$ 26,969	\$ 34,003
Accounts Receivable	23,351	23,145
Due from Other Governments	0	3,673
Prepaid Expense	980	1,204
Total Current Assets	<u>51,300</u>	<u>62,025</u>
Noncurrent Assets:		
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	253	592
Total Noncurrent Assets	<u>20,253</u>	<u>20,592</u>
Total Assets	71,553	82,617
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>18,906</u>	<u>11,613</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 90,459</u>	<u>\$ 94,230</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 18,463	\$ 15,454
Due to Other Governments	1,244	0
Total Current Liabilities	<u>19,707</u>	<u>15,454</u>
Long-term Liabilities:		
Net Pension Liability	25,145	13,179
Total Liabilities	<u>44,852</u>	<u>28,633</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>7,567</u>	<u>13,235</u>
Net Position:		
Net Investment in Capital Assets	20,253	20,592
Unrestricted	17,787	31,770
Total Net Position	<u>38,040</u>	<u>52,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 90,459</u>	<u>\$ 94,230</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
REFUSE FUND

For the Year Ended December 31, 2022
(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 202,960	\$ 216,132	\$ 13,172	\$ 211,281
Operating Expenses:				
Personnel Services	33,557	32,294	(1,263)	23,150
Materials and Supplies	4,700	2,370	(2,330)	2,275
Professional Fees	1,469	1,291	(178)	2,003
Repairs and Maintenance	2,000	5,772	3,772	1,746
Contracted Services	165,902	191,608	25,706	157,309
Other Charges	300	2,130	1,830	2,403
Depreciation	0	338	338	338
Total Operating Expenses	<u>207,928</u>	<u>235,803</u>	<u>27,875</u>	<u>189,224</u>
Income (Loss) from Operations	(4,968)	(19,671)	(14,703)	22,057
Nonoperating Revenues (Expenses):				
Access Fees and Other Revenues	7,000	5,645	(1,355)	5,680
Investment Earnings	0	(296)	(296)	0
Total Nonoperating Revenues (Expenses)	<u>7,000</u>	<u>5,349</u>	<u>(1,651)</u>	<u>5,680</u>
Change in Net Position	<u>\$ 2,032</u>	(14,322)	<u>\$ (16,354)</u>	27,737
Net Position - January 1		<u>52,362</u>		<u>24,625</u>
Net Position - December 31		<u>\$ 38,040</u>		<u>\$ 52,362</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

STORM WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
ASSETS		
Current Assets:		
Cash and Investments	\$ 6,862	\$ 3,276
Accounts Receivable	4,670	4,608
Total Current Assets	<u>11,532</u>	<u>7,884</u>
Noncurrent Assets:		
Other Capital Assets, Net of Depreciation	<u>2,160,212</u>	<u>2,248,347</u>
TOTAL ASSETS	<u><u>\$ 2,171,744</u></u>	<u><u>\$ 2,256,231</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Due to Other Funds	<u>0</u>	<u>17,718</u>
Net Position:		
Net Investment in Capital Assets	2,160,212	2,248,346
Unrestricted	<u>11,532</u>	<u>(9,833)</u>
Total Net Position	<u>2,171,744</u>	<u>2,238,513</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,171,744</u></u>	<u><u>\$ 2,256,231</u></u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
STORM WATER FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 46,500	\$ 48,099	\$ 1,599	\$ 47,228
Operating Expenses:				
Professional Fees	391	639	248	526
Repairs and Maintenance	0	0	0	2,820
Other Charges	0	175	175	0
Depreciation	0	88,134	88,134	88,134
Total Operating Expenses	<u>391</u>	<u>88,948</u>	<u>88,557</u>	<u>91,480</u>
Income (Loss) from Operations	46,109	(40,849)	(86,958)	(44,252)
Nonoperating Revenues (Expenses):				
Reimbursements	2,900	6,100	3,200	7,885
Investment Earnings	0	(20)	(20)	0
Total Nonoperating Revenues (Expenses)	<u>2,900</u>	<u>6,080</u>	<u>3,180</u>	<u>7,885</u>
Income (Loss) Before Transfers and Other Items	49,009	(34,769)	(83,778)	(36,367)
Transfers and Other Items				
Transfers Out	<u>(32,000)</u>	<u>(32,000)</u>	<u>0</u>	<u>(42,000)</u>
Change in Net Position	<u>\$ 17,009</u>	(66,769)	<u>\$ (83,778)</u>	(78,367)
Net Position - January 1		<u>2,238,513</u>		<u>2,316,880</u>
Net Position - December 31		<u>\$ 2,171,744</u>		<u>\$ 2,238,513</u>

SINGLE AUDIT AND OTHER REQUIRED REPORTS

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

Federal Agency/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Expenditures
Environmental Protection Agency:			
<i>Passed through Minnesota Public Facilities Authority:</i>			
Capitalization Grants for Clean Water State Revolving Funds	44.458	EAKRSZLNQRL1	\$ 1,075,356
Capitalization Grants for Drinking Water State Revolving Funds	44.468	EAKRSZLNQRL1	<u>1,154,045</u>
Total Environmental Protection Agency			2,229,401
Department of Housing and Urban Development:			
<i>Passed through Minnesota Department of Economic Development:</i>			
Community Development Block Grant - Infrastructure Fund	14.228	B-19-DC-27-0001	195,662
Department of the Treasury:			
<i>Passed through State of Minnesota:</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	MN0019	<u>384,346</u>
Total Federal Financial Assistance			<u>\$ 2,809,409</u>

CITY OF ANNANDALE, MINNESOTA
ANNANDALE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

Note 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Annandale, Minnesota (the City). The City's reporting entity is defined in Note 1 of the financial statements.

Note 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E – Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 4 SUBRECIPIENTS

No federal financial assistance has been provided to a subrecipient.

Note 5 DE MINIMIS COST RATE

The City elected not to charge the de minimis indirect cost rate of 10% to federal programs.

Note 6 FEDERAL LOAN PROGRAM

As of December 31, 2022, the City had outstanding loan balances under the Capitalization Grants for Clean/Drinking Water State Revolving Funds programs, included in the accompanying Schedule of Expenditures of Federal Awards. The loan balances consisted of the following:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2022</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 215,071
66.468	Capitalization Grants for Drinking Water State Revolving Funds	<u>1,154,045</u>
	Total loans outstanding	<u>\$ 1,369,116</u>



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

Honorable Mayor and
Members of the City Council
Annandale, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Annandale, Minnesota, (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd.
Mankato, Minnesota
June 2, 2023



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Annandale, 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, business-type activities, each major fund and the aggregate fund information of the City of Annandale, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2023.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 2, 2023



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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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
Members of the City Council
City of Annandale
Annandale, 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 Annandale, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2023.

Report on 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 first paragraph of this section 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. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness 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 City's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2022-001.

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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2022-002 and 2022-003.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as noted in the schedule of findings and responses.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 2, 2023

CITY OF ANNANDALE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Part I Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City.
2. One material weakness and two significant deficiencies were disclosed during the audit of the basic financial statements of the City.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. The auditor's report on compliance for the major federal programs of the City expresses an unmodified opinion.
5. Audit findings relative to the major federal programs for the City are reported in Part III of this schedule.
6. The following was tested as a major program:
 - a. Capitalization Grants for Drinking Water State Revolving Funds – Federal Assistance Listing number 66.468
7. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
8. The City does not qualify as low-risk auditee.

Part II Findings - Financial Statements Audit

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2022-001. Material Audit Adjustments

Condition:	The audit firm proposed and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

CITY OF ANNANDALE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Finding 2022-001. Material Audit Adjustments – (Continued)

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

Significant Deficiencies

Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does have an internal control in place for the review of the drafted financial statements, however, the City does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The City has informed us they do not have the expertise to prepare the annual financial statement disclosures, although the City has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

CITY OF ANNANDALE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes – (Continued)

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

Finding 2022-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CITY OF ANNANDALE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Finding 2022-003. Limited Segregation of Duties – (Continued)

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

Part III Findings and Questioned Costs - Major Federal Programs Audit

None reported.

Part IV Minnesota Legal Compliance

None reported.

CITY OF ANNANDALE, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2022

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2021-001	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2022-002
2021-002	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2022-003

Minnesota Legal Compliance Findings:

None

**CITY OF ANNANDALE
ANNANDALE, MINNESOTA**

MANAGEMENT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
Mankato, Minnesota

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

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December 31, 2022

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Honorable Mayor and
Members of the City Council
City of Annandale, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Annandale (the City) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 11, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Also, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The provisions of Governmental Accounting Standards Board No. 87, *Leases*, were adopted in 2022. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements were the following:

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by the Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City.

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. The allocation of the pension liability is based on the City's proportionate share of employer contributions to the pension plans.
- Management's estimate of the fair value measurement of investments is determined by the market approach based primarily on comparable or similar assets in active and secondary markets.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our audit procedures identified eleven misstatements. Management has corrected all such misstatements, in addition, three of the misstatements corrected by management were material, either individually or in the aggregate, to the affected opinion unit's financial statements taken as a whole. The material audit entries were related to the following situations:

- Reclassify debt service payments to the correct account and fund
- Allocate accrued wages across the city's departments
- Record accounts payable found during disbursement testing

We also assisted in preparing several year-end accounting entries. These were necessary to adjust the City's records at year end to the correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year-end entries is completed internally. The adjustments we proposed, and management posted to the City's general ledger accounts can be found beginning on page 16.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (the Schedules of Employer's Shares of the Net Pension Liability – PERA, the Schedules of Employer's PERA contributions, Schedule of Changes in Net Pension Liability and Related Ratios – VFRA, and Schedule of Contributions and Net Pension Liability as a Percent of Payroll – VFRA), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management

Honorable Mayor and
Members of the City Council
City of Annandale, Minnesota

regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This communication is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Burkhardt & Burkhardt, Ltd.
Mankato, Minnesota
June 2, 2023

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS
December 31, 2022

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 first paragraph of this section 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. Given these limitations, during our audit we did identify 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 City's financial statements will not be prevented or detected and corrected on a timely basis. As described below, we consider the following deficiency in internal control to be a material weakness as item 2022-001.

MATERIAL WEAKNESS

Finding 2022-001. Material Audit Adjustments

Condition:	The audit firm proposed and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP: Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP: December 31, 2023

Plan to Monitor Completion of CAP: City Council

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 did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies as items 2022-002 and 2022-003.

SIGNIFICANT DEFICIENCIES

Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The City has informed us they do not have the ability to prepare the annual financial statements.
Effect:	This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP: Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP: December 31, 2023

Plan to Monitor Completion of CAP: City Council

Finding 2022-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Honorable Mayor and
Members of the City Council
City of Annandale, Minnesota

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP: Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP: December 31, 2023

Plan to Monitor Completion of CAP: City Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with *OMB Uniform Guidance*, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards, Uniform Guidance, or the Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

GENERAL RECOMMENDATIONS
December 31, 2022

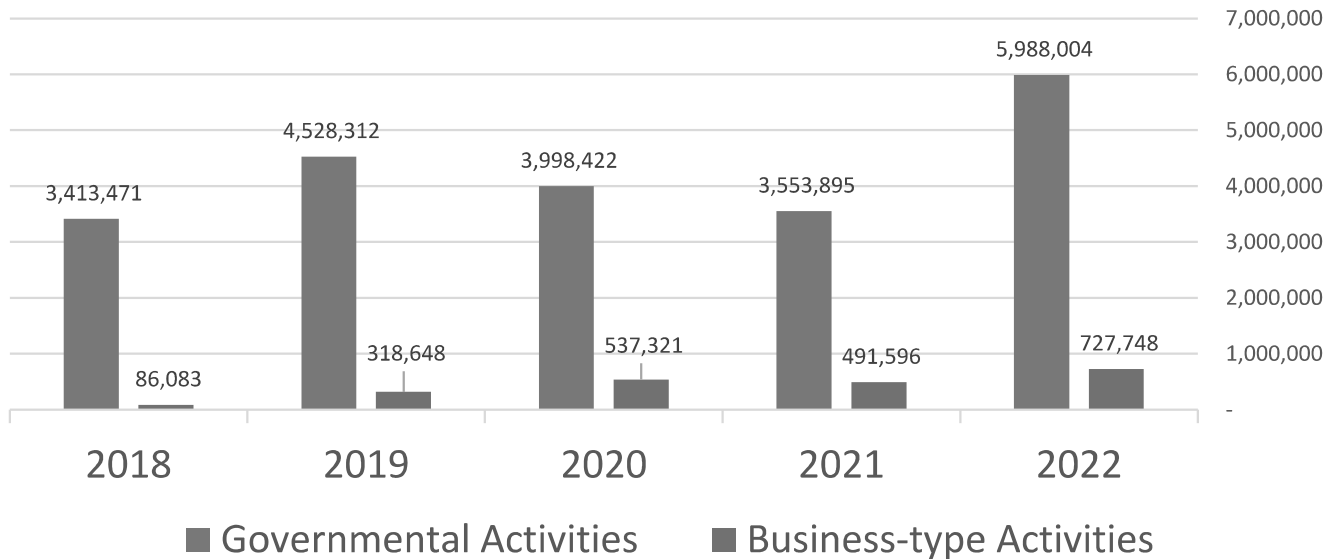
Throughout the course of the audit, we spoke to management regarding certain items that we see as an opportunity to improve. None of these were considered significant within the scope of the audit. The items discussed requiring action have been resolved or are in the process of resolution. We would like to acknowledge the assistance and courtesies extended to us by the personnel of the City of Annandale.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2022

A couple of the most common and comparable metrics used to evaluate the financial health of a government is their cash balance and days of reserves. Days of reserves is best defined as the number of days a government can operate with their year-end cash balance under average annual conditions. Below are graphs and tables showing the City’s cash balance and days of reserves for the past five years:

CASH AND INVESTMENT BALANCES OF THE CITY



Days of Reserves

	2018	2019	2020	2021	2022
Governmental	257	341	301	268	451
Business-type	11	39	66	60	89

In the current year, the City’s cash increased by approximately \$2,434,000 for governmental activities, which was primarily the result of grant and note proceeds received near yearend. As seen in the graph above, cash has steadily decreased from 2019 – 2021 as a result of the City performing acquiring infrastructure and performing maintenance work throughout the city departments. Due to the increase in cash the governmental activities has a reserve of approximately 15 months at yearend.

The business-type activities have been able to maintain a steady annual increase in cash balances over the past five years. The reserves of the business-type activities were at their highest value in 2022, approximately 3 months, predominantly due to cash increases in the water fund.

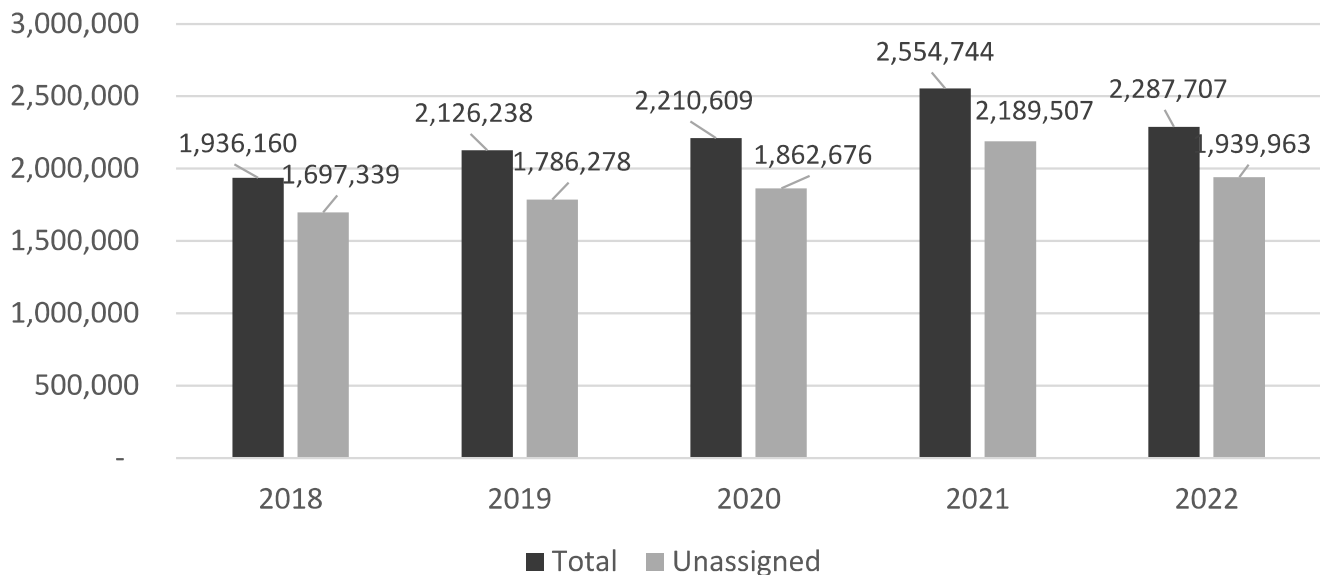
CITY OF ANNANDALE
ANNANDALE, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2022

A determination of the financial health of any government begins with an analysis of its general fund, or more specifically, the components of the general fund balance. The general fund's unassigned fund balance is a vital component of this analysis, as it represents the portion of fund balance management, and the city council has discretionary spending authority over. It is important for the city to maintain an adequate amount of unassigned fund balance to ensure resources are available to meet any unexpected disbursements during the year, as well as provide funding for city services between property tax and state aid collections.

As the City completed the fiscal year, its general fund reported a combined fund balance of \$2,287,707. This was down from \$2,554,744 at the end of the prior year, a decrease of approximately \$267,000. The unassigned fund balance constitutes \$1,939,963 of the total combined fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending as it has already been restricted, committed, or assigned for other purposes.

COMPONENTS OF FUND BALANCE – GENERAL FUND



	2018	2019	2020	2021	2022
Fund balance percentage	94%	92%	85%	101%	75%
OSA recommended fund balance	\$ 901,000	\$ 971,000	\$ 1,100,000	\$ 1,087,000	\$ 1,292,000
Auditor recommended fund balance	\$ 1,352,000	\$ 1,456,000	\$ 1,650,000	\$ 1,631,000	\$ 1,938,000
Excess/(deficiency)	\$ 345,000	\$ 330,000	\$ 213,000	\$ 559,000	\$ 2,000

The City's unassigned fund balance as a percentage of current year expenditures was 75% at the end of the current year. This is down from 101% in 2021. The Office of the State Auditor (OSA) has a Statement of Position recommending the level of unassigned fund balance as 40-50% of current year expenditures. Our firm suggests a percentage of no less than 75%. This amount is based on a review of recent debt rating reports by national rating agencies. In the current year, the City has exceeded the recommendation of the OSA and our firm's recommendation by \$2,000.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2022

Budgetary results of the general fund are an important observation over management's ability to execute a financial plan to provide for basic public services typically performed by the general fund. It is important for management to use all available information when constructing the annual budget, including 3-5 years of historical data and outside data sources when formulating its line-item budget. Creating or updating long-term capital and financial plans should also be considered during this process.

The results of the general fund's budget for the most recent year-end are summarized below.

BUDGET AND ACTUAL - GENERAL FUND

	Budget	Actual	Variance with Budget
Revenues	<u>\$ 2,775,890</u>	<u>\$ 3,173,920</u>	<u>\$ 398,030</u>
Expenditures			
Current	2,265,697	2,548,626	282,929
Capital outlay	<u>4,100</u>	<u>34,737</u>	<u>30,637</u>
Total expenditures	<u>2,269,797</u>	<u>2,583,363</u>	<u>313,566</u>
Revenues over (under) expenditures	506,093	590,557	84,464
Other financing sources (uses):			
Transfers	<u>(526,400)</u>	<u>(857,594)</u>	<u>(331,194)</u>
Change in fund balance	<u><u>\$ (20,307)</u></u>	<u><u>\$ (267,037)</u></u>	<u><u>\$ (246,730)</u></u>

At the completion of the current fiscal year, the overall change in fund balance for the general fund was \$(267,037). The change in fund balance fell short of budget projections by \$246,730. Although the City had a negative change in fund balance, the city experienced revenues in excess of the budget by approximately \$398,000. The excess revenues was mostly related to federal aid received by the city. In 2022, expenditures were in excess of appropriations by approximately \$313,000. The excess disbursements were primarily related to general government and public safety. The excess disbursements were funded with available fund balance.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

GENERAL RECOMMENDATIONS
December 31, 2022

The business-type activities, or *enterprise funds*, provide critical services to residents of the city. These activities are described as business-type activities due to the presumption that they will operate in a profitable manner. Profit and loss, although important and worthy of evaluation, are not the sole criteria to evaluate the performance and health of enterprise funds. Profit and loss can be impacted by conditions beyond the control of the government (Net Pension Liabilities) as well as accounting adjustments required by general accepted accounting principles. Therefore, we hold the view that positive cash flow from operations is the main assessment to determine the health of the enterprise funds. Positive cash flow from operations is essential to enterprise funds for two primary reasons; 1) it provides cash for capital expenditures, and 2) it provides cash to service the enterprise fund's debt. When setting user fees, management must consider the enterprise fund's cash needs related to capital replacement and debt service to ensure adequate cash flows.

The table below summarizes the cash flows from operations and other sources (uses) of cash during the year.

CASH FLOWS – ENTERPRISE FUNDS

	Water	Sewer	Refuse	Storm Water
Cash provided from operating activities	\$ 490,718	\$ 472,491	\$ (6,738)	\$ 53,324
Special assessments	1,044	1,044	-	-
Debt service payments	(279,699)	(1,129,760)	-	-
Net interfund activity	(40,000)	(380,500)	-	(49,718)
Debt proceeds	99,479	-	-	-
Government grants	-	91,827	-	-
Wastewater Commission reimbursements	-	1,113,840	-	-
Net capital asset activity	(76,819)	(74,578)	-	-
Interest earnings	(5,901)	(2,663)	(296)	(20)
Increase (decrease) in cash	<u>\$ 188,822</u>	<u>\$ 91,701</u>	<u>\$ (7,034)</u>	<u>\$ 3,586</u>
Cash balance - 12/31/2022	<u>\$ 641,574</u>	<u>\$ 286,353</u>	<u>\$ 26,969</u>	<u>\$ 6,862</u>
Historical increases (decreases) in cash	Water	Sewer	Refuse	Storm Water
2021	\$ 91,956	\$ 44,042	\$ 8,088	\$ 3,276
2020	56,362	39,877	11,701	-
2019	280,664	(62,393)	14,214	-
2018	(129,060)	(4,310)	-	-
Five year average	<u>\$ 97,749</u>	<u>\$ 21,783</u>	<u>\$ 5,394</u>	<u>\$ 1,372</u>

For the current fiscal year-end, all enterprise funds reported positive cash flows from operations, except the refuse fund. The sewer fund was able to reduce the interfund loan to the general fund during the year. Only the refuse sewer fund experienced an overall decrease in cash due to increases in contract services. The water and sewer funds, based on the historical increase (decrease) in cash balances, appear to have a user rate structure sufficient to meet their capital and debt service needs. The historical cash balance trends of the refuse fund are moving in a negative direction. User rates for the enterprise funds should be evaluated to determine if they are adequate to continue to fund operations.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

FUTURE ACCOUNTING STANDARD CHANGES
December 31, 2022

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

In March of 2020, the Government Accounting Standards Board issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Effective date and transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May of 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users

to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Effective date and transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

GASB Statement No. 99, Omnibus 2022

In April of 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

Effective date and transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period,

and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Effective date and transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

Honorable Mayor and
Members of the City Council
City of Annandale, Minnesota

How will this Statement improve accounting and financial reporting?

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Effective date and transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
AA01	Adjusting	12/31/22			
		342-47000-601	Bond Principal		51,000.00
		342-47000-611	Bond Interest		7,920.50
		342-10100-000	Cash	58,920.50	
		601-10100-000	Cash		52,000.50
		601-25000-000	Current Portion of LT-Debt	45,000.00	
		601-47000-611	PFA Loan Interest For 444	7,000.50	
		602-10100-000	Cash		6,920.00
		602-25000-000	Current Portion of LT-Debt	6,000.00	
		602-47000-611	Bond Interest	920.00	
		Reclassify posting of 2015 PFA water and sewer note debt service			
AA02	Adjusting	12/31/22			
		496-39310-000	Bond Proceeds		14,840.00
		496-46500-620	Bond Issuance Fees	14,840.00	
		999-22500-000	Bonds Payable		617,000.00
		999-15000-000	Amount to be Provided	617,000.00	
		Gross up 2022A certificate			
AA03	Adjusting	12/31/22			
		601-13100-000	Due From Other Funds	5,785.54	
		601-13200-000	Due From Other Govt Units		5,785.54
		602-13100-000	Due From Other Funds	22,092.48	
		602-13200-000	Due From Other Gov't		22,092.48
		603-13100-000	Due From Other Govts	3,672.80	
		603-13200-000	Due From Other Govt Units		3,672.80
		Correct client reversal of prior year DFOG.pfb			
AA04	Adjusting	12/31/21			
		651-21600-000	Accrued Wages Payable	2,519.34	
		651-10100-000	Cash		2,519.34
		604-21600-000	Accrued Wages Payable	859.30	
		604-42100-101	Wages		2,689.90
		604-42103-101	Salaries (F/T) - Public Works		1,702.87
		604-10100-000	Cash	3,533.47	
		603-21600-000	Accrued Wages Payable	6,205.98	
		603-43230-102	Overtime (FT) - Public Works	3,000.73	
		603-43236-103	Salaries (P/T) Admin	1,222.03	
		603-10100-000	Cash-Refuse		10,428.74
		602-21600-000	Accrued Wages Payable	51,225.94	
		602-10100-000	Cash		51,225.94
		601-21600-000	Accrued Wages Payable	38,809.24	
		601-10100-000	Cash		38,809.24
		102-21600-000	Accrued Wages Payable	40,941.91	
		102-10100-000	Cash		40,941.91
		101-21600-000	Accrued Wages Payable		139,246.64
		101-10100-000	Cash	140,391.70	
		101-42100-101	Wages (F/T)		1,145.06

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
Adjust Accrued Wages. jmb					
AA05	Adjusting	12/31/22			
		101-41400-437	Miscellaneous	23,500.00	
		101-45200-437	Miscellaneous	10,056.00	
		101-43000-303	Engineering Fees	8,570.00	
		101-20211-000	Accounts Payable Allocation		42,126.00
		103-41330-303	Engineering Fees	5,943.00	
		103-20211-000	Accounts Payable Allocation		5,943.00
		460-45200-303	Engineering Fees	130.00	
		460-20211-000	Accounts Payable Allocation		130.00
		466-46500-303	Engineering Fees	742.50	
		466-20211-000	Accounts Payable Allocation		742.50
		470-46500-303	Engineering Fees	13,741.50	
		470-20211-000	Accounts Payable Allocation		13,741.50
		601-49400-303	Engineering Fees	2,592.50	
		601-20211-000	Accounts Payable Allocation		2,592.50
		498-41940-580	Capital Outlay (Other Equip.)	15,173.45	
		498-20211-000	Accounts Payable Allocation		15,173.45
		498-41940-520	Capital Outlay (Bldg.)	2,421.89	
		498-20601-000	Retainage Payable		2,421.89
Record AP and retainage found during testing. LJR					
AA06	Adjusting	12/31/22			
		101-41400-437	Miscellaneous		20,000.00
		101-10100-000	Cash	20,000.00	
		601-47000-620	Bond Agent Fees	11,000.00	
		601-10100-000	Cash		11,000.00
		602-47000-620	Bond Agent Fees	9,000.00	
		602-10100-000	Cash		9,000.00
Reclass bond costs to proper accounts. LJR					
AA07	Adjusting	12/31/22			
		101-21701-000	Federal W/H Payable		4,465.65
		101-21702-000	State W/H Payable		1,366.77
		101-21703-000	Fica Payable		8,957.83
		101-21704-000	Pera Payable		4,072.74
		101-21705-000	Deferred Compensation		200.00
		101-21707-000	Child Support	264.66	
		101-21711-000	HSA Employee Contribution		4,557.02
		101-21712-000	Misc Deduction Payable	3,300.00	
		101-21713-000	Union Dues	5,337.27	
		101-21709-000	Flex Plan		104.16
		101-21706-000	Insurance		23,138.14
		101-10555-000	Prepaid Items	18,363.44	
		101-42100-130	Insurance Benefits	5,000.00	
		101-42406-130	Insurance Benefits	1,000.00	
		101-43000-130	Insurance Benefits - PW	1,000.00	
		101-43100-130	Insurance Benefits	1,500.00	
		101-41400-101	Wages (F/T)	3,014.15	
		101-42100-101	Wages (F/T)	6,565.48	
		101-42201-103	Salaries (P/T) - Fire Dept	970.80	
		101-42406-101	Salary (F/T) - PW/Admin	546.51	

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
Correct Accrued Payroll Taxes. jmb					
AA08	Adjusting Reversing	12/31/22			
		423-13100-000	Due From Othr Govt		18.59
		423-31060-000	Tax Abatement	18.59	
		496-13100-000	Due from Other Government Unit		5.14
		496-31020-000	Delinquent Ad Valorem Tax	5.14	
		101-13100-000	Due From Other Gov't Units	23.73	
		101-31020-000	Delinquent Ad Valorem Taxes		23.73
Reclass Jan tax settlement coding					
AA09	Adjusting	12/31/22			
		407-36235-000	Miscellaneous Revenue	3,500.00	
		407-36220-000	Farm Land Rent		3,500.00
Reclass farm land rent out of miscellaneous revenue.pfb					
AA10	Adjusting	12/31/22			
		495-13100-000	Due from Other Government Unit		4,418.00
		495-39101-000	Sale Of Assets	4,418.00	
Reverse AR for sale of assets.pfb					
AA11	Adjusting	12/31/22			
		601-13200-000	Due From Other Govt Units		260.84
		601-37170-000	Assessment For Delin. Bills	260.84	
		602-13200-000	Due From Other Gov't	303.26	
		602-37270-000	Assessment For Delin. Bills		303.26
		603-13200-000	Due From Other Govt Units		1,532.60
		603-37370-000	Assessment For Delinquent Bill	1,532.60	
		605-13100-000	Due From Other Gov't Units	57.61	
		605-37370-000	Assessment For Delinquent Bill		57.61
Remove 10% penalty for certifications.pfb					
AA12	Adjusting Reversing	12/31/22			
		601-13200-000	Due From Other Govt Units		45.32
		601-37170-000	Assessment For Delin. Bills	45.32	
		602-13110-000	Due from Other Govt Units		84.17
		602-37270-000	Assessment For Delin. Bills	84.17	
		603-13100-000	Due From Other Govts		29.73
		603-37370-000	Assessment For Delinquent Bill	29.73	
		605-13100-000	Due From Other Gov't Units		5.04
		605-37370-000	Assessment For Delinquent Bill	5.04	

Remove spasmts recorded to DFOG.pfb

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
AA13	Adjusting	12/31/22			
		101-42200-124	Fire Relief Association		3,000.00
		101-42200-126	Fire Relief Assoc. (Muni Contribut	3,000.00	
			Reclass municipal fire relief contribution to correct account.pfb		
AA14	Adjusting	12/31/22			
		101-33416-422	Fire Department Training Reimbur	1,000.00	
		101-33420-422	State Fire Aid		1,000.00
			Reclass supplemental fire relief aid to correct account.pfb		
AA15	Adjusting	12/31/22			
		101-22201-000	Landscape Escrow-New Construct		4,000.00
		101-22202-000	Grading Escrow - New Contrs	1,500.00	
		101-41400-437	Miscellaneous	2,500.00	
			Adjust General fund escrow deposit liability accounts to match escrow work paper.pfb		
AA16	Adjusting	12/31/22			
		101-10100-000	Cash		6,994.65
		101-13100-000	Due From Other Gov't Units	6,994.65	
			Record amount due from WW Commission for posting to wrong bank account		
AA17	Adjusting	12/31/22			
		335-36210-000	Interest Earnings		1.94
		335-10100-000	Cash	1.94	
		101-10100-000	Cash		1.94
		101-36210-000	Interest Earnings	1.94	
		407-31020-000	Delinquent Ad Valorem Tax	1.03	
		407-36235-000	Miscellaneous Revenue		1.03
			Reclass investment earnings recorded to closed fund.pfb		

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
AA18	Adjusting	12/31/22			
		101-10100-000	Cash		421.63
		101-20211-000	Accounts Payable Allocation	421.63	
		335-20211-000	Accounts Payable Allocation		421.63
		335-10100-000	Cash	421.63	
		408-20801-000	Due to Other Government Units	1,607.15	
		408-20211-000	Accounts Payable Allocation		3,214.30
		408-10100-000	Cash	1,607.15	
		407-10100-000	Cash		1,607.15
		407-46500-305	Grant Services	1,607.15	

Adjust AP for incorrect reversal. LJR

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
AA19	Adjusting	12/31/22			
		101-10100-000	Cash		28,160.48
		101-36210-000	Interest Earnings	28,160.48	
		102-10100-000	Cash		3,848.24
		102-36210-000	Interest Earnings	3,848.24	
		103-10100-000	Cash		608.51
		103-36210-000	Interest Earnings	608.51	
		222-10100-000	Cash-Charitable Gambling Fund		161.04
		222-36210-000	Interest Earnings	161.04	
		330-10100-000	Cash		230.25
		330-36210-000	Interest Earnings	230.25	
		332-10100-000	Cash		838.86
		332-36210-000	Interest Earnings	838.86	
		333-10100-000	Cash	73.99	
		333-36210-000	Interest Earnings		73.99
		334-10100-000	Cash	234.02	
		334-36210-000	Interest Earnings		234.02
		336-10100-000	Cash		244.42
		336-36210-000	Interest Earnings	244.42	
		337-10100-000	Cash	479.01	
		337-36210-000	Interest Earnings		479.01
		339-10100-000	Cash		885.44
		339-36210-000	Interest Earnings	885.44	
		340-10100-000	Cash		2,810.30
		340-36210-000	Interest Earnings	2,810.30	
		341-10100-000	Cash		2,277.93
		341-36210-000	Interest Earnings	2,277.93	
		342-10100-000	Cash		1,993.34
		342-36210-000	Interest Earnings	1,993.34	
		343-10100-000	Cash		166.74
		343-36210-000	Interest Earnings	166.74	
		402-10100-000	Cash - FF Relief Donation		1,027.66
		402-36210-000	Interest Earnings	1,027.66	
		407-10100-000	Cash		1,474.49
		407-36210-000	Interest Earnings	1,474.49	
		408-10100-000	Cash		239.94
		408-36210-000	Interest Earnings	239.94	
		409-10100-000	Cash		371.88
		409-36210-000	Interest Earnings	371.88	
		411-10100-000	Cash		152.68
		411-36210-000	Interest Earnings	152.68	
		423-10100-000	Cash	113.10	
		423-36210-000	Interest Earnings		113.10
		425-10100-000	Cash		449.00
		425-36210-000	Interest Earnings	449.00	
		460-10100-000	Cash		950.82
		460-36210-000	Interest Earnings	950.82	
		461-10100-000	Cash		4,841.78
		461-36211-000	Change in Fair Value	4,841.78	
		462-10100-000	Cash		3,169.65
		462-36211-000	Change in Fair Value	3,169.65	
		463-10100-000	Cash		42.17
		463-36211-000	Change in Fair Value	42.17	
		464-10100-000	Cash		3,884.85
		464-36210-000	Interest Earnings	3,884.85	
		465-10100-000	Cash		663.27
		465-36210-000	Interest Earnings	663.27	
		466-10100-000	Cash		790.32
		466-36210-000	Interest Earnings	790.32	
		468-10100-000	Cash	2.78	
		468-36210-000	Interest Earnings		2.78
		470-10100-000	Cash	7,429.62	
		470-36210-000	Interest Earnings		7,429.62

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
		471-10100-000	Cash	357.70	
		471-36210-000	Interest Earnings		357.70
		472-10100-000	Cash	709.93	
		472-36210-000	Interest Earnings		709.93
		493-10100-000	Cash		1,936.45
		493-36210-000	Interest Earnings	1,936.45	
		494-10100-000	Cash		1,832.59
		494-36210-000	Interest Earnings	1,832.59	
		495-10100-000	Cash		2,698.73
		495-36210-000	Interest Earnings	2,698.73	
		496-10100-000	Cash		1,273.23
		496-36210-000	Interest Earnings	1,273.23	
		497-10100-000	Cash		7.45
		497-36210-000	Interest Earnings	7.45	
		498-10100-000	Cash		3,360.19
		498-36210-000	Interest Earnings	3,360.19	
		601-10100-000	Cash		4,159.49
		601-36211-000	Change in Fair Value	4,159.49	
		602-10100-000	Cash		2,391.86
		602-36211-000	Change in Fair Value	2,391.86	
		603-10100-000	Cash-Refuse		435.22
		603-36211-000	Change in Fair Value	435.22	
		604-10100-000	Cash	3,208.96	
		604-36210-000	Interest Earnings		3,208.96
		605-10100-000	Cash		51.83
		605-36211-000	Change in Fair Value	51.83	
		651-10100-000	Cash	357.76	
		651-36210-000	Interest Earnings		357.76

DO NOT RECORD - Record gain/loss
on investments.pfb

AA20 Adjusting 12/31/22

341-39310-000	Bond Proceeds	2,229,400.86	
341-39201-000	Transfers In		2,229,400.86
601-39202-000	Capital Contributions	1,154,045.27	
601-20203-000	GO Water Revenue Note, 2022B		1,154,045.27
602-39202-000	Capital Contributions	215,070.95	
602-20203-000	GO Sewer Revenue Note, 2022B		215,070.95
602-39202-000	Capital Contributions	860,284.64	
602-33100-000	Federal Grants		860,284.64
341-10100-000	Cash		191,305.59
341-39201-000	Transfers In	191,305.59	
601-10100-000	Cash	99,478.91	
601-39202-000	Capital Contributions		99,478.91
602-10100-000	Cash	91,826.68	
602-39202-000	Capital Contributions		91,826.68

Reclass PFA bond proceeds out of debt
service.pfb

NC01 Adjusting 12/31/22

601-47000-601	PFA Loan Principal For 444		205,000.00
601-25000-000	Current Portion of LT-Debt	205,000.00	

Adjust bond liability for payment made
in fund 330

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC02	Adjusting	12/31/22			
		601-25000-000	Current Portion of LT-Debt		285,413.00
		601-20201-000	WTP PFA Loan Payable	210,000.00	
		601-20202-000	PFA Loan Payable	46,000.00	
		601-20203-000	GO Water Revenue Note, 2022B	29,413.00	
		602-25000-000	Current Portion of LT-Debt		1,028,362.00
		602-20201-000	WWTP PFA Loan Payable	1,021,000.00	
		602-20203-000	GO Sewer Revenue Note, 2022B	1,362.00	
		602-20202-000	PFA Loan Payable	6,000.00	
		999-25000-000	Current Portion of Debt		3,180,000.00
		999-22500-000	Bonds Payable	3,180,000.00	
		Adjust current portion Lt-debt			
NC03	Adjusting	12/31/22			
		601-21500-000	Accrued Interest Payable	2,601.22	
		601-47000-611	PFA Loan Interest For 444		2,601.22
		602-21500-000	Interest Payable	9,256.50	
		602-47000-611	Bond Interest		9,256.50
		999-21500-000	Accrued Interest Payable		2,534.76
		999-47000-611	Interest Expense	2,534.76	
		Adjust accrued interest payable			
NC04	Adjusting	12/31/22			
		602-47000-601	Bond Principal		998,000.00
		602-25000-000	Current Portion of LT-Debt	998,000.00	
		999-25000-000	Current Portion of Debt	638,000.00	
		999-15000-000	Amount to be Provided		638,000.00
		Reclassify bond principal payments against the liability accounts			
NC05	Adjusting	12/31/22			
		999-21900-000	Bond Premium	5,078.65	
		999-19400-000	Unamortized Bond Discount		4,233.60
		999-47000-612	Bond Discount/Premium		845.05
		Adjust bond premium/discount			
NC06	Adjusting	12/31/22			
		999-21850-000	Severance Liability		2,390.04
		999-41402-000	PD Wages	1,480.40	
		999-41404-000	PW Wages	909.64	
		601-21850-000	Severance Liability		189.51
		601-49400-101	Salary (F/T) - Public Works	189.51	
		602-21850-000	Severance Liability		758.03
		602-49450-101	Salaries (F/T) - Public Works	758.03	
		603-21850-000	Severance Liability		37.90
		603-43230-101	Salaries (FT) - Public Works	37.90	

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
			Adjust Severance liability. jmb		
NC07	Adjusting	12/31/22			
		407-46500-441	Economic Development Revolving		25,000.00
		407-12900-000	Note Receivable	25,000.00	
			Adjust EDA fund for loan activity.pfb		
NC08	Adjusting	12/31/22			
		423-31060-000	Tax Abatement	31.95	
		423-10100-000	Cash		31.95
		496-31020-000	Delinquent Ad Valorem Tax	24.82	
		496-10100-000	Cash		24.82
		101-10100-000	Cash	56.77	
		101-31020-000	Delinquent Ad Valorem Taxes		56.77
			Reclass minor amounts for tax collections		
NC09	Adjusting	12/31/22			
		101-10700-000	Taxes Receivable--Delinquent	15,383.48	
		101-22200-000	Deferred Revenues		15,383.48
			Adjust delinquent taxes		
NC10	Adjusting	12/31/22			
		409-33131-000	Revolving Loan	17,830.74	
		409-46500-305	Grant Services		11,862.70
		409-12900-000	Notes Receivable		5,968.04
			Adjust EDA fund for loan activity.pfb		
NC11	Adjusting	12/31/22			
		342-39201-999	Transfer in Fund 601	50,000.00	
		342-39202-999	Transfer in Fund 602	5,000.00	
		342-10100-000	Cash		55,000.00
		601-10100-000	Cash	50,000.00	
		601-49400-724	Transfer Out		50,000.00
		602-10100-000	Cash	5,000.00	
		602-49450-720	Transfers Out		5,000.00
			Reverse transfers per client request		

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC12	Adjusting	12/31/22			
		101-12300-000	Special Assess. Rec.-Deferred	3,665.75	
		101-12100-000	Special Assess Rec - Current	819.95	
		101-22200-000	Deferred Revenues		4,485.70
		601-12100-000	Special Assess Rec - Current	3,867.84	
		601-13200-000	Due From Other Govt Units		3,867.84
		602-12100-000	Special Assess Rec - Current	8,308.70	
		602-13200-000	Due From Other Gov't		8,308.70
		603-12100-000	Special Assess Rec - Current	1,719.04	
		603-13200-000	Due From Other Govt Units		1,719.04
		605-12100-000	Special Assess Rec - Current	429.76	
		605-13100-000	Due From Other Gov't Units		429.76
		Record 2022 assessments			
NC13	Adjusting	12/31/22			
		332-12100-000	Special Assess Rec - Current	5,364.25	
		332-12300-000	Special Assess. Rec.-Deferred		13,075.16
		332-22209-000	Deferred Revenues-Sp Assess	7,710.91	
		340-12100-000	Special Assess. Rec.-Current	12,301.15	
		340-12200-000	Special Assess. Rec.-Delinquent	721.95	
		340-12300-000	Special Assess Rec. Deferred		48,175.62
		340-22209-000	Deferred Revenues-Sp Assess	35,152.52	
		337-12200-000	Special Assess Rec.-Delinquent		286.80
		337-22209-000	Deferred Revenues-Sp Assess	286.80	
		342-12100-000	Special Assess. Rec.-Current	10,773.16	
		342-12200-000	Special Assess. Rec.-Delinquent	142.92	
		342-12300-000	Special Assess Rec. Deferred		35,251.13
		342-22209-000	Deferred Revenue - Sp Assess	24,335.05	
		339-12100-000	Special Assess Rec - Current	10,716.16	
		339-12300-000	Special Assess. Rec - Deferred		21,432.32
		339-22209-000	Deferred Revenue - Sp Assess	10,716.16	
		341-12100-000	Special Assess Rec - Current	16,572.55	
		341-12200-000	Special Assess. Rec.-Delinquent	711.88	
		341-12300-000	Special Assess Rec. Deferred		40,617.10
		341-22209-000	Deferred Revenues-Sp Assess	23,332.67	
		601-12300-000	Special Assess. Rec.-Deferred		948.26
		601-36100-000	Special Assessment	239.40	
		601-12100-000	Special Assess Rec - Current		4,388.69
		601-12200-000	Special Assess Rec.-Delinquent	5,097.55	
		602-12300-000	Special Assess. Rec.-Deferred		867.63
		602-36100-000	Special Assessment	199.31	
		602-12100-000	Special Assess Rec - Current		8,950.18
		602-12200-000	Special Assess Rec.-Delinquent	9,618.50	
		603-12300-000	Special Assess. Rec.-Deferred	62.00	
		603-12100-000	Special Assess Rec - Current		2,888.15
		603-12200-000	Special Assess Rec.-Delinquent	3,247.78	
		603-37370-000	Assessment For Delinquent Bill		421.63
		605-12100-000	Special Assess Rec - Current		401.08
		605-12200-000	Special Assess Rec.-Delinquent	465.24	
		605-12300-000	Special Assess. Rec.-Deferred	10.46	
		605-37370-000	Assessment For Delinquent Bill		74.62
		Adjust delinquent and deferred assessments			

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC14	Adjusting	12/31/22			
		460-36220-000	WWTP Ponds Land Rent	8,595.00	
		460-10100-000	Cash		8,595.00
		651-36220-000	Farm Land Rent	2,865.00	
		651-10100-000	Cash		2,865.00
		407-10100-000	Cash	11,460.00	
		407-36220-000	Farm Land Rent		11,460.00
			Move rental revenue to EDA fund for lease standard adoption.pfb		
NC15	Adjusting	12/31/22			
		407-11500-000	Accounts Receivable	2,174.99	
		407-36220-000	Farm Land Rent		2,175.00
		407-46500-350	Printing & Publishing	0.01	
			Record unpaid rent from farm land lease.pfb		
NC16	Adjusting	12/31/22			
		407-10100-000	Cash		11,460.00
		407-46500-724	Transfers Out	11,460.00	
		460-10100-000	Cash	8,595.00	
		460-39201-000	Transfer In		8,595.00
		651-10100-000	Cash	2,865.00	
		651-39201-000	Transfer In		2,865.00
			Record transfers from EDA to park and cemetery funds.pfb		
NC17	Adjusting	12/31/22			
		407-11501-000	Lease Receivable	76,305.74	
		407-24801-000	DIR - Leases		76,305.74
			Record beginning lease receivable and deferred inflows of resouces.pfb		
NC18	Adjusting	12/31/22			
		407-11501-000	Lease Receivable		25,163.16
		407-24801-000	DIR - Leases	26,472.29	
		407-36220-000	Farm Land Rent		1,309.13
			Adjust lease receivable and DIR for CY activity.pfb		

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC19	Adjusting	12/31/22			
		407-46500-437	Miscellaneous		8,974.55
		407-46500-510	Capital Outlay (Land)		191,025.45
		407-14000-000	Asset Held For Resale	200,000.00	
			Adjust purchase of Larsen Building to held for sale account.pfb		
NC20	Adjusting	12/31/22			
		407-14000-000	Asset Held For Resale		75,000.00
		407-39103-000	Sale of Land	73,827.50	
		407-46500-304	Legal Fees	1,172.50	
			Adjust EDA held for sale and gross up sale proceeds for land sold.pfb		
NC21	Adjusting Reversing	12/31/22			
		602-13110-000	Due from Other Govt Units	926.80	
		602-34951-430	WW Comm Reimb-Mileage Exp		926.80
			Record add'l DFOG noted by client.pfb		
NC22	Adjusting	12/31/22			
		999-19000-000	DOR - GERP	217,896.16	
		999-29000-000	DIR - GERP	109,165.51	
		999-29999-000	NPL - GERP		341,630.94
		999-33401-000	Pension Rev/Exp for SFS		4,281.00
		999-41400-912	Pension Expense	18,850.27	
			Adjust governmental GERP NPL.pfb		
NC23	Adjusting	12/31/22			
		999-41400-912	Pension Expense		18,850.27
		999-41400-000	Clerk Wages	11,687.98	
		999-41403-000	Street Wages	7,162.29	
			Allocate governmental GERP pension expense.pfb		

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC24	Adjusting	12/31/22			
		601-19000-000	Pension Deferred Outflows	39,104.95	
		601-29000-000	Pension Deferred Inflows	25,170.93	
		601-29999-000	Net Pension Liability		62,783.55
		601-49400-121	Pera - Public Works		1,492.33
		602-19000-000	Pension Deferred Outflows	60,191.77	
		602-29000-000	Pension Deferred Inflows	36,153.72	
		602-29999-000	Net Pension Liability		95,955.17
		602-49450-121	Pera - Public Works		390.32
		603-19000-000	Pension Deferred Outflows	7,292.70	
		603-29000-000	Pension Deferred Inflows	5,667.27	
		603-29999-000	Net Pension Liability		11,965.34
		603-43230-121	PERA - Public Works		994.63
		Adjust enterprise GERP NPL.pfb			
NC25	Adjusting	12/31/22			
		999-29997-000	NPL - PEPFP		1,196,530.00
		999-19002-000	DOR - PEPFP	932,513.54	
		999-29002-000	DIR - PEPFP	325,756.98	
		999-33401-000	Pension Rev/Exp for SFS		12,083.00
		999-41402-000	PD Wages		49,657.52
		Adjust governmental PEPFP NPL.pfb			
NC26	Adjusting	12/31/22			
		999-29998-000	NPL - VFRA	184,838.00	
		999-19001-000	DOR - VFRA		32,525.81
		999-29001-000	DIR - VFRA		19,916.10
		999-42200-000	Pension Expense - VFRA		132,396.09
		Adjust governmental VFRA NPL.pfb			
NC27	Adjusting	12/31/22			
		101-22201-000	Landscape Escrow-New Construct		194.10
		101-41400-200	Office Supplies	194.10	
		Adjust landscaping escrow for difference noted by client.pfb			
NC28	Adjusting	12/31/22			
		337-39202-000	Transfer In - Enterprise Funds		85,000.00
		337-10100-000	Cash	85,000.00	
		601-10100-000	Cash		18,000.00
		601-49400-724	Transfer Out	18,000.00	
		602-10100-000	Cash		67,000.00
		602-49450-720	Transfers Out	67,000.00	
		Record missed transfer, client requested entry. jmb			

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC29	Adjusting	12/31/22			
		101-24600-000	Nonspendable Fund Balance	7,232.10	
		101-25320-000	Unassigned Fund Balance		7,232.10
		102-24600-000	Nonspendable Fund Balance	251.72	
		102-25320-000	Unassigned Fund Balance		251.72
		407-24600-000	Nonspendable Fund Balance		713.74
		407-25305-000	Committed Fund Balance	713.74	
		604-24600-000	Nonspendable Fund Balance	224.27	
		604-25305-000	Committed Fund Balance		224.27
		651-24600-000	Nonspendable Fund Balance	241.75	
		651-25305-000	Committed Fund Balance		241.75
		Adjust nonspendable fund balance			
NC30	Adjusting	12/31/22			
		998-49970-420	Depreciation Expense-City	114,941.78	
		998-49971-420	Depreciation Expense-Fire Dept	154,263.06	
		998-49973-420	Depreciation Expense-Publ Work	383,403.97	
		998-49976-420	Depreciation Expense - Parks	2,328.99	
		998-16490-000	Accumulated Depr-Infrast-City		114,941.78
		998-16411-000	Accum Depr-Mch, Eq & Hv Tr-FL		154,263.06
		998-16213-000	Accumulated Depr-Bldg- PW		383,403.97
		998-16494-000	Accumulated Depr - Parks		2,328.99
		601-16310-000	Accum Depr-Infrastructure		194,724.91
		601-49400-420	Depreciation Expense	194,724.91	
		602-16310-000	Accum. Deprec.-Infrastructure		136,297.10
		602-49450-420	Depreciation Expense	136,297.10	
		603-16430-000	Accum Depr-Of Eq, Frn, Sw		338.40
		603-43230-420	Depreciation Expense	338.40	
		605-16310-000	Accum. Deprec.-Infrastructure		88,134.28
		605-48000-420	Depreciation Expense	88,134.28	
		Record CY Depreciation. LJR			

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC31	Adjusting	12/31/22			
		101-10410-000	Adjustment To Fair Value		3,067.61
		101-36210-000	Interest Earnings	3,067.61	
		102-10410-000	Adjustment to Fair Value		365.95
		102-36210-000	Interest Earnings	365.95	
		222-10410-000	Adjustment to Fair Value		20.61
		222-36210-000	Interest Earnings	20.61	
		330-10410-000	Adjustment to Fair Value		17.52
		330-36210-000	Interest Earnings	17.52	
		332-10410-000	Adjustment to Fair Value		135.93
		332-36210-000	Interest Earnings	135.93	
		333-10410-000	Adjustment to Fair Value		21.79
		333-36210-000	Interest Earnings	21.79	
		334-10410-000	Adjustment to Fair Value	57.65	
		334-36210-000	Interest Earnings		57.65
		336-10410-000	Adjustment to Fair Value	48.16	
		336-36210-000	Interest Earnings		48.16
		337-10410-000	Adjustment to Fair Value		356.21
		337-36210-000	Interest Earnings	356.21	
		339-10410-000	Adjustment to Fair Value	1.14	
		339-36210-000	Interest Earnings		1.14
		340-10410-000	Adjustment to Fair Value		844.64
		340-36210-000	Interest Earnings	844.64	
		341-10410-000	Adjustment to Fair Value		3.93
		341-36210-000	Interest Earnings	3.93	
		402-10410-000	Adjustment to Fair Value		132.30
		402-36210-000	Interest Earnings	132.30	
		407-10410-000	Adjustment to Fair Value		705.02
		407-36210-000	Interest Earnings	705.02	
		411-10410-000	Adjustment to Fair Value		26.66
		411-36210-000	Interest Earnings	26.66	
		423-10410-000	Adjustment to Fair Value	29.58	
		423-36210-000	Interest Earnings		29.58
		425-10410-000	Adjustment to Fair Value		88.12
		425-36210-000	Interest Earnings	88.12	
		460-10410-000	Adjustment to Fair Value	60.99	
		460-36210-000	Interest Earnings		60.99
		461-10410-000	Adjustment to Fair Value		169.34
		461-36211-000	Change in Fair Value	169.34	
		462-10410-000	Adjustment to Fair Value		261.45
		462-36211-000	Change in Fair Value	261.45	
		463-10410-000	Adjustment to Fair Value	5.66	
		463-36211-000	Change in Fair Value		5.66
		464-10410-000	Adjustment to Fair Value		117.29
		464-36210-000	Interest Earnings	117.29	
		465-10410-000	Adjustment to Fair Value		32.12
		465-36210-000	Interest Earnings	32.12	
		466-10410-000	Adjustment to Fair Value	276.39	
		466-36210-000	Interest Earnings		276.39
		468-10410-000	Adjustment to Fair Value		2.28
		468-36210-000	Interest Earnings	2.28	
		493-10410-000	Adjustment to Fair Value		46.06
		493-36210-000	Interest Earnings	46.06	
		494-10410-000	Adjustment to Fair Value		42.55
		494-36210-000	Interest Earnings	42.55	
		495-10410-000	Adjustment to Fair Value		261.40
		495-36210-000	Interest Earnings	261.40	
		496-10410-000	Adjustment to Fair Value	7.62	
		496-36210-000	Interest Earnings		7.62
		497-10410-000	Adjustment to Fair Value		33.88
		497-36210-000	Interest Earnings	33.88	
		498-10410-000	Adjustment to Fair Value		155.03
		498-36210-000	Interest Earnings	155.03	

CITY OF ANNANDALE
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
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Reference	Type	Date Account Number	Description	Debit	Credit
		601-10410-000	Adjustment to Fair Value	58.34	
		601-36211-000	Change in Fair Value		58.34
		602-10410-000	Adjustment to Fair Value	901.33	
		602-36211-000	Change in Fair Value		901.33
		603-10410-000	Adjustment to Fair Value		6.41
		603-36211-000	Change in Fair Value	6.41	
		604-10410-000	Adjustment to Fair Value	358.50	
		604-36210-000	Interest Earnings		358.50
		605-10410-000	Adjustment to Fair Value	37.07	
		605-36211-000	Change in Fair Value		37.07
		651-10410-000	Adjustment to Fair Value	6.43	
		651-36210-000	Interest Earnings		6.43
		342-10410-000	Adjustment Fair Value		783.60
		342-36210-000	Interest Earnings	783.60	
		Reclass adjustment to fair value through earnings.pfb			
NC32	Adjusting	12/31/22			
		471-46500-303	Engineering Fees		158,895.46
		471-10100-000	Cash	158,895.46	
		601-49400-303	Engineering Fees	76,818.83	
		601-10100-000	Cash		76,818.83
		602-49450-303	Engineering Fees	82,076.63	
		602-10100-000	Cash		82,076.63
		Reclass engineering fees to enterprise funds for CIP capitalization. LJR			
NC33	Adjusting	12/31/22			
		601-16500-000	Construction in Progress	76,818.83	
		601-49400-303	Engineering Fees		76,818.83
		602-16500-000	Construction in Progress	82,076.63	
		602-49450-303	Engineering Fees		82,076.63
		998-16500-000	Construction In Progress	99,380.79	
		998-16406-000	Mach, Equip & Hvy Tr - Park	69,869.76	
		998-16401-000	Mach, Equip & Hvy Tr - FD	746,434.89	
		998-16402-000	Mach, Equip & Hvy Tr - PD	71,070.43	
		998-16403-000	Mach, Equip & Hvy Tr - PW	87,896.70	
		998-28003-000	Net Assets - Public Works		141,261.70
		998-28001-000	Net Assets - Fire Dept		746,434.89
		998-28002-000	Net Assets - Police Dept		71,070.43
		998-28008-000	Net Assets - Park		69,869.76
		998-28000-000	Net Assets - City		46,015.79
		Record CY Capital Additions. LJR			
NC34	Adjusting	12/31/22			
		998-16401-000	Mach, Equip & Hvy Tr - FD		102,613.25
		998-16402-000	Mach, Equip & Hvy Tr - PD		10,637.75
		998-16400-000	Mach, Equip & Hvy Tr - City		10,457.07
		998-16410-000	Accum Depr-Mch, Eq & Hv T-City	10,457.07	
		998-16412-000	Accum Depr-Mch, Eq & Hv Tr-PE	8,637.75	
		998-16411-000	Accum Depr-Mch, Eq & Hv Tr-FL	90,613.25	
		998-49978-999	Gain/Loss in Disposal of Assets	14,000.00	
		Record CY Capital Disposals. LJR			

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ANNANDALE, MINNESOTA

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December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC35	Adjusting	12/31/22			
		411-36210-000	Interest Earnings		127.68
		411-10100-000	Cash	127.68	
		101-10100-000	Cash		127.68
		101-36210-000	Interest Earnings	127.68	
		Move recorded gain/loss on investments to General fund.pfb			
NC36	Adjusting Reversing	12/31/22			
		101-13301-000	Due From Fund Neg Cash	1,060,886.85	
		101-10100-000	Cash		1,060,886.85
		333-10100-000	Cash	5,402.86	
		333-20700-000	Due to other funds		5,402.86
		334-10100-000	Cash	17,087.65	
		334-20700-000	Due to other funds		17,087.65
		423-10100-000	Cash	8,290.56	
		423-20700-000	Due to Other Funds		8,290.56
		468-10100-000	Cash	203.05	
		468-20700-000	Due to other funds		203.05
		470-10100-000	Cash	542,491.27	
		470-20700-000	Due to other funds		542,491.27
		472-10100-000	Cash	51,837.36	
		472-20700-000	Due to other funds		51,837.36
		602-10100-000	Cash	176,156.40	
		602-20700-000	Due to Other Funds		176,156.40
		604-10100-000	Cash	230,776.02	
		604-20700-000	Due to Other Funds		230,776.02
		651-10100-000	Cash	28,641.68	
		651-20700-000	Due to Other Funds		28,641.68
		602-20700-000	Due to Other Funds		125,816.00
		602-10100-000	Cash	125,816.00	
		101-13301-000	Due From Fund Neg Cash	125,816.00	
		101-10100-000	Cash		125,816.00
		Record temp interfund loan for cash deficits. jmb			
NC37	Adjusting	12/31/22			
		999-21800-000	Compensated Absences		14,613.44
		999-41400-000	Clerk Wages	14,613.44	
		999-41401-000	DMV Wages		408.31
		999-41403-000	Street Wages		120.74
		999-41404-000	PW Wages	529.05	
		Record compensated absences			

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ANNANDALE, MINNESOTA

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December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
NC38	Adjusting	12/31/22			
		602-10100-000	Cash		354,315.00
		602-13300-000	Advance to Other Funds	354,315.00	
		601-10100-000	Cash		379,835.00
		601-13300-000	Advance to Other Funds	379,835.00	
		341-20900-000	Advance from Other Funds		734,150.00
		341-10100-000	Cash	734,150.00	
			Record interfund loan authorized by city council.pfb		
NC39	Adjusting	12/31/22			
		462-24100-000	Restricted Net Position		40,924.00
		462-26600-000	Net Assets Unrestricted	40,924.00	
			Adjust restricted net position for PFA WIF reserve.pfb		
NC40	Adjusting	12/31/22			
		601-26100-000	Net Assets-Net Of Related Debt	1,021,951.35	
		601-26600-000	Net Assets Unrestricted		1,021,951.35
		602-26100-000	Net Assets-Net Of Related Debt	263,291.42	
		602-26600-000	Net Assets Unrestricted		263,291.42
		603-26100-000	Net Assets-Net of Related Debt	338.40	
		603-26600-000	Net Assets Unrestricted		338.40
		605-26100-000	Net Assets-Net Of Related Debt	88,134.28	
		605-26600-000	Net Assets Unrestricted		88,134.28
			Adjust invested in capital assets.pfb		
NC41	Adjusting	12/31/22			
		602-11600-000	Interest In Joint Venture-WWTP		426,963.67
		602-39101-000	Change In Equity Interest	426,963.67	
			Adjust equity interest in WW Commission.pfb		
NC42	Adjusting	12/31/22			
		466-20600-000	Contracts Payable	102,824.98	
		466-46500-520	Capital Outlay - Streets		102,824.98
			Reverse construction AP from 2021		
NC43	Adjusting	12/31/22			
		101-43000-303	Engineering Fees		4,147.50
		101-20211-000	Accounts Payable Allocation	4,147.50	
		472-46500-303	Engineering Fees	4,147.50	
		472-20211-000	Accounts Payable		4,147.50

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ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
			Correct AP into proper fund		
NC44	Adjusting	12/31/22			
		408-33131-000	Revolving Loan	12,857.16	
		408-12900-000	Note Receivable		12,857.16
		408-33131-000	Revolving Loan	19,285.80	
		408-46500-441	Economic Devel. Revolving Loan		19,285.80
			Net MIF loan balance for payments received.pfb		
NC45	Adjusting	12/31/22			
		101-20700-000	Due To Other Funds	25,000.00	
		101-10100-000	Cash		25,000.00
		407-10100-000	Cash	25,000.00	
		407-13300-000	Due From Other Funds		25,000.00
		407-20900-000	Advance from Other Funds	15,000.00	
		407-10100-000	Cash		15,000.00
		461-10100-000	Cash	15,000.00	
		461-13100-000	Due From Other Funds		15,000.00
			Record interfund transaction, client requested. jmb		
NC46	Adjusting	12/31/22			
		603-26600-000	Net Assets Unrestricted		1.00
		603-36210-000	Interest Earnings	1.00	
		601-26600-000	Net Assets Unrestricted		1.00
		601-36210-000	Interest Earnings	1.00	
		496-25310-000	Assigned Fund Balance	1.00	
		496-36210-000	Interest Earnings		1.00
		464-25305-000	Committed Fund Balance		1.00
		464-36210-000	Interest Earnings	1.00	
		495-25310-000	Assigned Fund Balance	1.00	
		495-36210-000	Interest Earnings		1.00
		497-25310-000	Assigned Fund Balance	1.00	
		497-36210-000	Interest Earnings		1.00
		425-24100-000	Restricted Fund Balance		1.00
		425-36210-000	Interest Earnings	1.00	
		466-25320-000	Unassigned Fund Balance		1.00
		466-36210-000	Interest Earnings	1.00	
		604-25305-000	Committed Fund Balance	1.00	
		604-36210-000	Interest Earnings		1.00
		651-25305-000	Committed Fund Balance	2.00	
		651-36210-000	Interest Earnings		2.00
		334-24100-000	Restricted Fund Balance	1.00	
		334-36210-000	Interest Earnings		1.00
		337-24100-000	Restricted Fund Balance	1.00	
		337-36210-000	Interest Earnings		1.00
		342-24100-000	Restricted Fund Balance	1.00	
		342-36210-000	Interest Earnings		1.00
		101-25320-000	Unassigned Fund Balance		2.00
		101-36210-000	Interest Earnings	2.00	
		999-25300-000	Fund Balance		1.00
		999-33401-000	Pension Rev/Exp for SFS	1.00	

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December 31, 2022

Reference	Type	Date Account Number	Description	Debit	Credit
			F/S rounding		
		TOTAL		<u>24,194,014.82</u>	<u>24,194,014.82</u>