

**CITY OF NISSWA
AGENDA – WORKSHOP
TUESDAY, APRIL 18, 2023
6:30 P.M. – NISSWA CITY HALL**

**The Council Meeting will also be accessible via YouTube Live on the
City of Nisswa’s channel at City of Nisswa, MN**

- A.** City of Nisswa Audited Financial Statements for the Year Ended December 31, 2022 –
Presentation by Ryan Schmidt, CPA, Partner – Schlenner Wenner & Co.
 - a. 2022 Audited Financial Statements
 - b. 2022 Report to Members of Governance

- B.** Discussion/Comments/Questions

- C.** Adjourn

City of Nisswa, Minnesota

Audited Financial Statements

December 31, 2022

**SCHLENNER
WENNER & Co.**
CPAs

**CITY OF NISSWA, MINNESOTA
TABLE OF CONTENTS**

INTRODUCTORY SECTION:

CITY COUNCIL AND OFFICIALS 2

FINANCIAL SECTION:

INDEPENDENT AUDITOR’S REPORT 4

BASIC FINANCIAL STATEMENTS:

Statement of Balances Arising from Cash Transactions –
Governmental Funds 8

Statement of Receipts, Disbursements and Changes in
Cash Fund Balances – Governmental Funds 9

Statement of Net Position – Proprietary Funds 10

Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds 11

Statement of Cash Flows – Proprietary Funds 12

Notes to the Basic Financial Statements..... 14

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of City’s Proportionate Share of the Net Pension Liability..... 36

Schedule of City Pension Contributions..... 37

Notes to the Required Supplementary Information 38

SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund –
Regulatory Basis..... 42

Combining Statement of Balances Arising from Cash Transactions –
All Nonmajor Governmental Funds 45

Combining Statement of Receipts, Disbursements, and Changes in Cash
Fund Balances – All Nonmajor Governmental Funds 46

Combining Statement of Balances Arising from Cash Transactions –
Nonmajor Special Revenue Funds 47

Combining Statement of Receipts, Disbursements, and Changes in Cash
Fund Balances – Nonmajor Special Revenue Funds 48

Combining Statement of Balances Arising from Cash Transactions –
Nonmajor Debt Service Funds 49

Combining Statement of Receipts, Disbursements, and Changes in Cash
Fund Balances – Nonmajor Debt Service Funds 50

Combining Statement of Balances Arising from Cash Transactions –
Nonmajor Capital Project Funds 51

Combining Statement of Receipts, Disbursements, and Changes in Cash
Fund Balances – Nonmajor Capital Project Funds 52

Schedule of Indebtedness 53

Schedule of Accounts Receivable..... 54

Schedule of Accounts Payable and Contingent Liabilities 55

OTHER REPORTS:

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* 57

Schedule of Findings and Responses..... 59

Corrective Action Plans..... 61

**INTRODUCTORY
SECTION**

**CITY OF NISSWA, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CITY COUNCIL

Term Expires

John Ryan	Mayor	December 31, 2022
Mark Froehle	Council Member	December 31, 2022
Don Jacobson	Council Member	December 31, 2022
Mark Utzinger	Council Member	December 31, 2024
Jesse Zahn	Council Member	December 31, 2022

CITY OFFICIALS

Jenny Max	Administrator	Appointed
Maggi Wentler	Finance Specialist	Appointed

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Nisswa, Minnesota

Report on the Financial Statements

Opinions

We have audited the financial statements of each major fund and the aggregate remaining fund information of the City of Nisswa, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major fund and the aggregate remaining fund information of the City of Nisswa, Minnesota, as of December 31, 2022, and their respective regulatory basis changes in financial position and regulatory basis cash flows thereof for the year then ended in accordance with the basis of accounting practices prescribed or permitted by the State of Minnesota's Office of the State Auditor as described in Note 1.C.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each major fund and the aggregate remaining fund information of the City of Nisswa, Minnesota, as of December 31, 2022, or the respective changes in financial position and cash flows thereof for the year then ended.

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* (GAS), 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1.C. of the financial statements, the financial statements are prepared by the City of Nisswa, Minnesota, on the basis of accounting practices prescribed or permitted by the State of Minnesota's Office of the State Auditor to demonstrate compliance with the Office of the State Auditor's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 1.G. to the financial statements, during the current fiscal year the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Nisswa's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the State of Minnesota's Office of the State Auditor to demonstrate compliance with the Office of the State Auditor's regulatory basis of accounting. Management is also responsible 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 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, 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

Financial reporting provisions referenced above require that the Schedule of City's Proportionate Share of the Net Pension Liability and Schedule of City Pension Contributions be presented to supplement the basic financial statements. Such information, though 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 of Nisswa, Minnesota's basic financial statements. The introductory section, budgetary comparison schedule, combining nonmajor fund financial statements, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, budgetary comparison schedule, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023 on our consideration of the City of Nisswa'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 of Nisswa's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nisswa's internal control over financial reporting and compliance.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 17, 2023

BASIC FINANCIAL STATEMENTS

CITY OF NISSWA, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,552,766	\$ 309,193	\$ 730,004	\$ 5,591,963
Due from Other Funds	398,934	-	-	398,934
Advances to Other Funds	<u>75,294</u>	<u>-</u>	<u>-</u>	<u>75,294</u>
TOTAL ASSETS	<u>\$ 5,026,994</u>	<u>\$ 309,193</u>	<u>\$ 730,004</u>	<u>\$ 6,066,191</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 364,135	\$ 364,135
Advances from Other Funds	<u>-</u>	<u>-</u>	<u>75,294</u>	<u>75,294</u>
Total Liabilities	-	-	439,429	439,429
CASH FUND BALANCES				
Nonspendable	75,294	-	-	75,294
Restricted	184,661	309,193	1,556	495,410
Committed	96,920	-	203,435	300,355
Assigned	-	-	452,517	452,517
Unassigned	<u>4,670,119</u>	<u>-</u>	<u>(366,933)</u>	<u>4,303,186</u>
Total Cash Fund Balances	<u>5,026,994</u>	<u>309,193</u>	<u>290,575</u>	<u>5,626,762</u>
TOTAL LIABILITIES AND CASH FUND BALANCES	<u>\$ 5,026,994</u>	<u>\$ 309,193</u>	<u>\$ 730,004</u>	<u>\$ 6,066,191</u>

CITY OF NISSWA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS				
Taxes	\$ 2,178,175	\$ 621,063	\$ -	\$ 2,799,238
Tax Increment	-	-	5,576	5,576
Licenses, Permits, and Fees	10,255	-	-	10,255
Intergovernmental	253,190	-	480	253,670
Charges for Services	165,526	-	202,361	367,887
Fines	25,579	-	-	25,579
Investment Income	31,200	-	665	31,865
Miscellaneous	53,312	-	59,757	113,069
TOTAL RECEIPTS	<u>2,717,237</u>	<u>621,063</u>	<u>268,839</u>	<u>3,607,139</u>
DISBURSEMENTS				
Current:				
General Government	714,664	-	-	714,664
Public Safety	817,751	-	217,807	1,035,558
Public Works	666,989	-	105,767	772,756
Sanitation	45,019	-	-	45,019
Parks and Recreation	-	-	411,879	411,879
Economic Development	5,555	-	19,998	25,553
Cemetery	97,731	-	-	97,731
Capital Outlay	256,933	-	64,256	321,189
Debt Service:				
Principal	-	512,000	-	512,000
Interest and Other Charges	-	78,311	-	78,311
TOTAL DISBURSEMENTS	<u>2,604,642</u>	<u>590,311</u>	<u>819,707</u>	<u>4,014,660</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	112,595	30,752	(550,868)	(407,521)
OTHER FINANCING SOURCES (USES)				
Transfers In	271,500	-	373,940	645,440
Transfers Out	(373,940)	-	(6,500)	(380,440)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(102,440)</u>	<u>-</u>	<u>367,440</u>	<u>265,000</u>
NET CHANGE IN CASH FUND BALANCES	10,155	30,752	(183,428)	(142,521)
CASH FUND BALANCES - BEGINNING	<u>5,016,839</u>	<u>278,441</u>	<u>474,003</u>	<u>5,769,283</u>
CASH FUND BALANCES - ENDING	<u>\$ 5,026,994</u>	<u>\$ 309,193</u>	<u>\$ 290,575</u>	<u>\$ 5,626,762</u>

**CITY OF NISSWA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Liquor Fund	Sewer Fund	Nonmajor Water Fund	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,022,114	\$ 1,629,084	\$ -	\$ 2,651,198
Accounts Receivable	-	206,997	-	206,997
Inventory	583,052	-	-	583,052
Total Current Assets	1,605,166	1,836,081	-	3,441,247
Noncurrent Assets				
Capital Assets Not Being Depreciated and Amortized	-	706,546	-	706,546
Capital Assets Being Depreciated and Amortized (Net)	804,405	7,321,891	-	8,126,296
Total Noncurrent Assets	804,405	8,028,437	-	8,832,842
TOTAL ASSETS	2,409,571	9,864,518	-	12,274,089
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	248,873	63,442	-	312,315
LIABILITIES				
Current Liabilities				
Accounts Payable	60,927	6,740	-	67,667
Salaries Payable	32,972	5,134	-	38,106
Due to Other Funds	-	-	34,799	34,799
Accrued Interest	-	15,360	-	15,360
Debt Due Within One Year	88,975	249,000	-	337,975
Total Current Liabilities	182,874	276,234	34,799	493,907
Noncurrent Liabilities				
Compensated Absences Due After One Year	70,266	26,052	-	96,318
Debt Due After One Year	517,586	4,556,000	-	5,073,586
Net Pension Liability	703,351	181,070	-	884,421
Total Noncurrent Liabilities	1,291,203	4,763,122	-	6,054,325
TOTAL LIABILITIES	1,474,077	5,039,356	34,799	6,548,232
DEFERRED INFLOWS OF RESOURCES				
Pensions	9,346	2,406	-	11,752
NET POSITION				
Net Investment in Capital Assets	197,844	3,223,437	-	3,421,281
Unrestricted	977,177	1,662,761	(34,799)	2,605,139
TOTAL NET POSITION	<u>\$ 1,175,021</u>	<u>\$ 4,886,198</u>	<u>\$ (34,799)</u>	<u>\$ 6,026,420</u>

CITY OF NISSWA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Liquor Fund	Sewer Fund	Nonmajor Water Fund	Totals
SALES AND COST OF SALES				
Sales	\$ 5,306,132	\$ -	\$ -	\$ 5,306,132
Cost of Sales	<u>(3,509,556)</u>	<u>-</u>	<u>-</u>	<u>(3,509,556)</u>
GROSS PROFIT	1,796,576	-	-	1,796,576
OPERATING REVENUES				
Charges for Services	<u>-</u>	<u>729,996</u>	<u>-</u>	<u>729,996</u>
TOTAL GROSS PROFIT AND OPERATING REVENUES	1,796,576	729,996	-	2,526,572
OPERATING EXPENSES				
Wages and Benefits	939,082	207,439	-	1,146,521
Materials and Supplies	159,373	129,659	-	289,032
Repairs and Maintenance	39,475	137,328	-	176,803
Professional Services	-	-	20,855	20,855
Insurance	25,854	-	-	25,854
Miscellaneous	145,254	1,220	-	146,474
Depreciation and Amortization	<u>123,880</u>	<u>332,122</u>	<u>-</u>	<u>456,002</u>
TOTAL OPERATING EXPENSES	<u>1,432,918</u>	<u>807,768</u>	<u>20,855</u>	<u>2,261,541</u>
NET OPERATING INCOME (LOSS)	363,658	(77,772)	(20,855)	265,031
NONOPERATING INCOME (EXPENSE)				
Connection Fees	-	239,430	-	239,430
Investment Income	-	2,919	-	2,919
Gain (Loss) on Sale of Assets	-	31,000	-	31,000
Miscellaneous	3,134	-	-	3,134
Interest and Other Charges	<u>(20,945)</u>	<u>(56,473)</u>	<u>-</u>	<u>(77,418)</u>
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(17,811)</u>	<u>216,876</u>	<u>-</u>	<u>199,065</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	345,847	139,104	(20,855)	464,096
TRANSFERS				
Operating Transfers Out	<u>(265,000)</u>	<u>-</u>	<u>-</u>	<u>(265,000)</u>
CHANGE IN NET POSITION	80,847	139,104	(20,855)	199,096
NET POSITION - BEGINNING OF YEAR	<u>1,094,174</u>	<u>4,747,094</u>	<u>(13,944)</u>	<u>5,827,324</u>
NET POSITION - END OF YEAR	<u>\$ 1,175,021</u>	<u>\$ 4,886,198</u>	<u>\$ (34,799)</u>	<u>\$ 6,026,420</u>

**CITY OF NISSWA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Liquor Fund	Sewer Fund	Nonmajor Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 5,306,132	\$ 724,027	\$ -	\$ 6,030,159
Cash Paid to Suppliers	(3,881,869)	(263,803)	(20,855)	(4,166,527)
Cash Paid to Employees	(846,141)	(167,004)	-	(1,013,145)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	578,122	293,220	(20,855)	850,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other Receipts	3,134	239,430	-	242,564
Net Operating Subsidies and Transfers from (to) Other Funds	(265,000)	-	20,855	(244,145)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(261,866)	239,430	20,855	(1,581)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(13,859)	(163,374)	-	(177,233)
Payments on Lease Liabilities	(84,820)	-	-	(84,820)
Payments on Bond Principal	-	(243,979)	-	(243,979)
Proceeds from Debt Issuance	-	39,466	-	39,466
Cash Paid for Interest	(20,945)	(55,661)	-	(76,606)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(119,624)	(423,548)	-	(543,172)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	-	2,919	-	2,919
Net Change in Cash and Cash Equivalents	196,632	112,021	-	308,653
Cash and Cash Equivalents - Beginning of Year	825,482	1,517,063	-	2,342,545
Cash and Cash Equivalents - End of Year	<u>\$ 1,022,114</u>	<u>\$ 1,629,084</u>	<u>\$ -</u>	<u>\$ 2,651,198</u>

**CITY OF NISSWA, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Liquor Fund	Sewer Fund	Nonmajor Water Fund	Totals
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ 363,658	\$ (77,772)	\$ (20,855)	\$ 265,031
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	123,880	332,122	-	456,002
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	-	(5,969)	-	(5,969)
Inventory	(16,211)	-	-	(16,211)
Accounts Payable	13,854	4,404	-	18,258
Salaries Payable	5,860	(1,831)	-	4,029
Net Pension Liability	369,597	114,554	-	484,151
Deferred Outflows or Resources - Pensions	6,751	(13,002)	-	(6,251)
Deferred Inflows or Resources - Pensions	(297,548)	(58,757)	-	(356,305)
Compensated Absences	8,281	(529)	-	7,752
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 578,122	\$ 293,220	\$ (20,855)	\$ 850,487

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nisswa, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: municipal liquor, sewer, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Nisswa, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria describe above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority

The Authority was established pursuant to the provisions of Minnesota Statutes Section 469.090 through 469.108 to promote and provide incentives for economic development, and to preserve and create jobs, enhance the City's tax base and promote the general welfare of the people.

The financial activity of the Authority is performed by the City of Nisswa and treated as routine City business.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows/outflows, fund equity, receipts/revenues, and disbursements/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, receipts/revenues, or disbursements/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows, liabilities and deferred inflows of resources, receipts/revenues, or disbursements/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes, special assessments, and tax increment financing are used for the payment of principal and interest on the City's indebtedness.

The City reports the following major proprietary funds:

The *Liquor Fund* accounts for business-like activities related to running the municipal liquor stores provided to the general public. These activities are financed primarily by liquor sales, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The *Sewer Fund* accounts for business-like activities related to the operation of a sanitary sewer collection system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the government reports the following nonmajor fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City and pay-as-you-go-debt, other than debt service payments made by enterprise funds.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than capital projects financed by proprietary funds).

The *Water Fund* accounts for business-like activities related to the operation of a water distribution system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory basis of accounting:

- In the governmental fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly are not presented in accordance with accounting principles generally accepted in the United States of America.
- The proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used and are presented in accordance with accounting principles generally accepted in the United States of America.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement Balances Arising from Cash Transactions and proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, certificates of deposit, and pooled money market accounts. Certificates of deposit are stated at cost, which approximates fair value.

See Note 2.A. for additional information related to Cash and Cash Equivalents.

Prepays

Prepays represent costs paid that relate to future periods.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” See Note 2.D. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the fund financial statements, no receivables are recorded in governmental funds. In the proprietary funds, material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Inventories

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the last cost method.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Governmental Statements

In the governmental financial statements, capital acquisitions are accounted for as expenditures of the governmental fund upon acquisition.

Proprietary Statements

In the proprietary financial statements, capital acquisitions are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

The City maintains a threshold of \$2,500 or more for capitalizing assets. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Depreciation and amortization of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation and amortization reflected in the Statement of Net Position. Depreciation and amortization is provided over the estimated useful lives of the assets using the straight-line method.

The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Building Improvements	10-50 years
Infrastructure	25-50 years
Furniture and Equipment	3-20 years

Accounts Payable

Payables in the proprietary funds are composed almost entirely of payables to vendors.

Long-Term Debt

The accounting treatment of long-term debt and other long-term obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations.

Governmental Funds

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Proprietary Funds

Long-term debt of the proprietary funds is to be repaid from proprietary resources and is reported as liabilities in the Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are recognized in the current period.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. All vacation and sick pay is accrued when incurred in the proprietary fund financial statements.

Net Pension Liability

The net pension liability represents the City's allocation of their pro-rata share of the Statewide General Employees Retirement Fund net pension liability.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

PERA

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the proprietary fund Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources in the proprietary fund Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Governmental Funds

In the governmental fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned, in accordance with the City's policies.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balances to the City Administrator/Treasurer.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City has adopted a policy under which it strives to maintain a minimum unassigned fund balance in the General Fund equal to 100 percent of the annual budgeted expenditures.

See Note 2.E. for additional disclosures.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Proprietary Funds

In the proprietary fund financial statements, net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of October. The County of Crow Wing is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating items which include revenue and expenses related to capital and related to financing, noncapital financing, or investing activities.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES (Continued)

Disbursements and Expenses

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report disbursements of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. See additional information at Note 2.D.

1.G. RECENTLY ISSUED ACCOUNTING STANDARD

During the current fiscal year, the City adopted Governmental Accounting Standard Board (GASB) Statement No. 87, *Leases*. This standard changes previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Because the overall impact of the changes was not significant, no restatements to beginning net position were necessary.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred inflows/outflows of resources, equity, receipts/revenues, and disbursements/expenses.

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City's Council. 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;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

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

At December 31, 2022, the City's deposits, including money market savings and certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance or by collateral held by the City's agent in the City's name.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH AND CASH EQUIVALENTS (Continued)

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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. The City does not have any investment policies that would further limit investment choices.

Investment balances at December 31, 2022 are as follows:

<u>Deposit/Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>S & P's Credit Rating</u>	<u>Percent of Total</u>
Pooled Investments:					
4M Municipal Money Market Fund	0.01%	N/A	\$ <u>195,920</u>	N/A	<u>100.00</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the City’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer. At December 31, 2022, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH AND CASH EQUIVALENTS (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The 4M Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investment in the 4M pooled funds is not subject to the credit risk classifications as noted in GASB Statement No. 72.

Deposits and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Balances Arising from Cash Transactions and Statement of Net Position for the City follows:

Carrying Amount of Deposits	\$	8,047,241
Investments		<u>195,920</u>
Total	\$	<u><u>8,243,161</u></u>
Governmental - Cash and Cash Equivalents	\$	5,591,963
Proprietary - Cash and Cash Equivalents		<u>2,651,198</u>
Total	\$	<u><u>8,243,161</u></u>

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Proprietary Funds:</i>					
Capital Assets, not Being Depreciated or Amortized					
Land	\$ 706,546	\$ -	\$ -	\$ -	\$ 706,546
Capital Assets, Being Depreciated and Amortized					
Equipment	1,135,763	72,782	63,657	-	1,144,888
Buildings	539,914	13,859	-	-	553,773
Infrastructure	11,818,351	2,810	-	-	11,821,161
Leased Building	-	691,381	-	-	691,381
Total Capital Assets Being Depreciated and Amortized	13,494,028	780,832	63,657	-	14,211,203
Less Accumulated Depreciation for					
Equipment	885,770	44,525	63,657	-	866,638
Buildings	351,338	19,444	-	-	370,782
Infrastructure	4,455,454	296,670	-	-	4,752,124
Less Accumulated Amortization for Leased Building	-	95,363	-	-	95,363
Total Accumulated Depreciation and Amortization	5,692,562	456,002	63,657	-	6,084,907
Total Capital Assets Being Depreciated and Amortized, Net	7,801,466	324,830	-	-	8,126,296
Proprietary Funds Capital Assets, Net	<u>\$ 8,508,012</u>	<u>\$ 324,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,832,842</u>

2.C. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Debt Detail

General Obligation Bonds and Notes

The City of Nisswa issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities and infrastructure throughout the City. General obligation bonds have been issued for both activities pertaining to governmental funds and proprietary funds. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City of Nisswa. General obligation bonds and notes outstanding at December 31, 2022 consist of the following:

Governmental Funds

General Obligation Bonds					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
3/13	\$ 1,945,000	\$155,000-\$175,000	0.30-2.00%	02/25	\$ 510,000
7/18	1,515,000	\$185,000-\$250,000	5.00%	02/26	930,000
					\$ 1,440,000

General Obligation Note					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
02/12	\$ 1,500,000	\$72,000-\$84,000	1.00%	08/32	\$ 819,000

Taxable General Obligation Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/13	\$ 585,000	\$50,000-\$65,000	3.00-3.35%	02/24	\$ 130,000

Proprietary Funds

General Obligation Revenue Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
8/12	\$ 1,240,000	\$75,000-\$100,000	0.50-2.60%	12/27	\$ 470,000

General Obligation Revenue Note					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
8/20	\$ 5,208,648	\$164,000-\$285,000	1.00%	8/40	\$ 4,335,000

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Lease Liabilities

The City of Nisswa currently leases a building for the purpose of facilitating the operations of the City’s Liquor Fund. Because of the nature of the terms of the lease, a long-term lease liability has been recorded in an amount equal to the present value to the future lease payments. Additionally, a corresponding right-of-use asset has been recorded and incorporated into the City’s capital asset records. Terms of the City’s leasing arrangements as of December 31, 2022 are detailed below:

Proprietary Funds

Lease Liabilities					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
1/22	\$ 691,381	\$84,820-\$104,652	3.25%	3/29	\$ 606,561

Changes in Noncurrent Liabilities

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 1,810,000	\$ -	\$ (370,000)	\$ 1,440,000	\$ 380,000
General Obligation Note	896,000	-	(77,000)	819,000	78,000
Taxable General Obligation Bond	195,000	-	(65,000)	130,000	65,000
Total Governmental Funds	\$ 2,901,000	\$ -	\$ (512,000)	\$ 2,389,000	\$ 523,000
<i>Proprietary Funds:</i>					
General Obligation Revenue Bonds	\$ 550,000	\$ -	\$ (80,000)	\$ 470,000	\$ 85,000
General Obligation Revenue Note	4,498,979	-	(163,979)	4,335,000	164,000
Lease Liabilities	-	691,381	(84,820)	606,561	88,975
Compensated Absences	88,566	7,752	-	96,318	-
Total Proprietary Funds	\$ 5,137,545	\$ 699,133	\$ (328,799)	\$ 5,507,879	\$ 337,975

Governmental fund debt is typically funded through the Debt Service Funds, proprietary fund bonds and notes are funded through the Sewer Fund, and lease liabilities are funded through the Liquor Fund. Compensated absences are funded through the proprietary fund in which the employee’s wages are recorded.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity including principal and interest, and excluding compensated absences, are as follows:

Governmental Funds			
Years Ending December 31,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2023	\$ 523,000	\$ 60,664	\$ 583,664
2024	539,000	43,718	582,718
2025	495,000	26,870	521,870
2026	331,000	12,070	343,070
2027	81,000	5,010	86,010
2028-2032	420,000	12,699	432,699
Total	<u>\$ 2,389,000</u>	<u>\$ 161,031</u>	<u>\$ 2,550,031</u>

Proprietary Funds			
Years Ending December 31,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2023	\$ 249,000	\$ 54,270	\$ 303,270
2024	249,000	50,845	299,845
2025	256,000	47,420	303,420
2026	260,000	43,560	303,560
2027	264,000	39,510	303,510
2028-2032	1,305,000	150,560	1,455,560
2033-2037	1,372,000	83,980	1,455,980
2038-2040	850,000	17,040	867,040
Total	<u>\$ 4,805,000</u>	<u>\$ 487,185</u>	<u>\$ 5,292,185</u>

Proprietary Funds			
Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2023	\$ 88,975	\$ 18,106	\$ 107,081
2024	91,910	15,170	107,080
2025	94,942	12,138	107,080
2026	98,074	9,006	107,080
2027	101,310	5,771	107,081
2028-2029	131,350	2,503	133,853
Total	<u>\$ 606,561</u>	<u>\$ 62,694</u>	<u>\$ 669,255</u>

Interest and fiscal charge expense totals \$78,311 in the Statement of Receipts, Disbursements, and Changes in Cash Fund Balances-Governmental Funds. Interest expense totals \$77,418 in the Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

Major Funds	Transfers Out	Transfers In				Total
		Major Funds		Nonmajor Funds		
		General	Community Center	Park and Recreation	Fire	
General	\$ 373,940	\$ -	\$ 18,400	\$ 257,075	\$ 98,465	\$ 373,940
Liquor	265,000	265,000	-	-	-	265,000
Nonmajor Funds						
Park and Recreation	6,500	6,500	-	-	-	6,500
	<u>\$ 645,440</u>	<u>\$ 271,500</u>	<u>\$ 18,400</u>	<u>\$ 257,075</u>	<u>\$ 98,465</u>	<u>\$ 645,440</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund balances are as follows:

Long-Term Advances		Amount	Reason
Advances Due To	Advances Due From		
General	Fire Fund	\$ 75,294	To finance equipment purchases
Short-Term Balances		Amount	Reason
Due to Fund	Due From Fund		
General	Economic Development Authority	19,975	Eliminate negative cash
General	Gull Lake Trail	235,568	Eliminate negative cash
General	County Rd 77/Nokomis Roundabout	108,592	Eliminate negative cash
General	Water Fund	34,799	Eliminate negative cash
Total Interfund Balances		<u>\$ 474,228</u>	

The Fire Fund equipment purchase financing is anticipated to be paid following a set payment schedule. The interfund balance for the Economic Development Authority, Gull Lake Trail, County Road 77/Nokomis Roundabout, and Water Fund cash deficits are to be repaid as cash flows become available.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND BALANCES

At December 31, 2022, governmental fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund					
Nonspendable - Advance to Other Funds	\$ 75,294	\$ -	\$ -	\$ -	\$ -
Restricted for Police Department	-	29,472	-	-	-
Restricted for Parks	-	155,189	-	-	-
Committed for Planning and Zoning	-	-	50,000	-	-
Committed for Public Works	-	-	46,920	-	-
Unassigned	-	-	-	-	4,670,119
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,670,119</u>
Total General Fund Balance	<u>\$ 75,294</u>	<u>\$ 184,661</u>	<u>\$ 96,920</u>	<u>\$ -</u>	<u>\$ 4,670,119</u>
Debt Service Fund					
Restricted for Debt Service	<u>\$ -</u>	<u>\$ 309,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nonmajor Governmental Funds					
Restricted for Tax Increment Financing	\$ -	\$ 1,556	\$ -	\$ -	\$ -
Committed for Park and Recreation Capital Purchases	-	-	96,000	-	-
Committed for Community Center Capital Purchases	-	-	100,000	-	-
Committed for Capital Projects	-	-	7,435	-	-
Assigned for Fire Department	-	-	-	452,517	-
Unassigned	-	-	-	-	(366,933)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366,933)</u>
Total Nonmajor Governmental Funds Balance	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ 203,435</u>	<u>\$ 452,517</u>	<u>\$ (366,933)</u>

Additionally, nonmajor funds with deficit fund balances at December 31, 2022 are as follows:

<u>Nonmajor Fund</u>	<u>Fund Deficit</u>
Special Revenue Funds	
Economic Development Authority	<u>\$ (19,975)</u>
Capital Project Funds	
Gull Lake Trail	<u>\$ (235,568)</u>
County Rd 77 / Nokomis Roundabout	<u>\$ (108,592)</u>
Proprietary Funds	
Water Fund	<u>\$ (34,799)</u>

These fund deficits are expected to be covered from future revenues, tax levies or transfers.

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

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

General Employees Retirement Plan

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

Benefits Provided

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. 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.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022 were \$104,560, of which \$61,778 came from the City's proprietary funds. The City's contributions are equal to the required contributions as set by State Statute.

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

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,496,886, of which \$884,421 was reported in the City's proprietary funds, for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$43,762.

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. The City's proportionate share was 0.0189 percent at the end of the measurement period and 0.0173 percent for the beginning of the period.

City's proportionate share of the net pension liability:	\$1,496,886
State of Minnesota's proportionate share of the net pension liability associated with the City:	<u>43,762</u>
Total	<u>\$1,540,648</u>

For the year ended December 31, 2022, the City recognized pension expense of \$147,063 for its proportionate share of the General Employees Plan's pension expense associated with the City's proprietary funds. In addition, the City recognized an additional \$3,864 as pension expense (and grant revenue) associated with the City's proprietary funds for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 12,503	\$ 14,576
Changes in actuarial assumptions	310,959	5,315
Differences between projected and actual investment earnings	67,146	-
Changes in proportionate share	86,285	-
Contributions paid to PERA subsequent to the measurement date	<u>51,766</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 528,659</u>	<u>\$ 19,891</u>
Proprietary Funds - Deferred Outflows/Inflows	<u>\$ 312,315</u>	<u>\$ 11,752</u>

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

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

The \$51,766 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023, of which \$30,547 was paid from proprietary funds. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2023	\$ 171,003
2024	\$ 165,109
2025	\$ (14,481)
2026	\$ 135,371
Total	\$ 457,002

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is 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.

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

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

The following changes in actuarial assumptions and plan provisions 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.

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

Pension Liability Sensitivity

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

	Sensitivity of Net Pension Liability at Current Single Discount Rate		
	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Entire City	\$2,364,410	\$1,496,886	\$785,383
Proprietary Funds	\$1,396,990	\$884,421	\$464,036

Pension Plan Fiduciary Net Position

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

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

NOTE 4 OTHER NOTES (Continued)

4.A. RISK MANAGEMENT (Continued)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable 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.

4.B. OTHER EMPLOYEE BENEFITS

The City provides eligible employees future retirement benefits through participation in the Minnesota Deferred Compensation Plan (MNDCP), which is a Section 457 plan administered by the Minnesota State Retirement System. Eligible employees of the City may begin participating in the MNDCP commencing on the date of their employment by electing to have a percentage of their pay contributed to the Plan. The City does not make employer contributions to the Plan.

4.C. NEW ACCOUNTING STANDARD

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96n will be effective for the City's fiscal year ended December 31, 2023. The effect on net pension will likely be significant.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NISSWA, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Pension Plan</i>							
2022	0.0189%	\$ 1,496,886	\$ 43,762	\$ 1,540,648	\$ 1,333,173	115.56%	76.67%
2021	0.0173%	\$ 738,788	\$ 22,525	\$ 761,313	\$ 1,185,027	64.24%	87.00%
2020	0.0165%	\$ 989,250	\$ 30,489	\$ 1,019,739	\$ 1,123,267	90.78%	79.06%
2019	0.0157%	\$ 868,018	\$ 26,999	\$ 895,017	\$ 1,059,400	84.48%	80.20%
2018	0.0155%	\$ 859,876	\$ 28,191	\$ 888,067	\$ 996,907	89.08%	79.50%
2017	0.0146%	\$ 932,054	\$ 11,712	\$ 943,766	\$ 865,813	109.00%	75.90%
2016	0.0135%	\$ 1,096,133	\$ 14,341	\$ 1,110,474	\$ 839,000	132.36%	68.90%
2015	0.0130%	\$ 673,727	\$ -	\$ 673,727	\$ 730,456	92.23%	78.20%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF NISSWA, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2022	\$ 104,560	\$ 104,560	\$ -	\$ 1,394,133	7.50%
2021	\$ 93,707	\$ 93,707	\$ -	\$ 1,249,427	7.50%
2020	\$ 85,313	\$ 85,313	\$ -	\$ 1,137,507	7.50%
2019	\$ 82,199	\$ 82,199	\$ -	\$ 1,095,987	7.50%
2018	\$ 78,297	\$ 78,297	\$ -	\$ 1,043,960	7.50%
2017	\$ 68,738	\$ 68,738	\$ -	\$ 916,507	7.50%
2016	\$ 61,801	\$ 61,801	\$ -	\$ 824,013	7.50%
2015	\$ 59,443	\$ 59,443	\$ -	\$ 792,569	7.50%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF NISSWA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES 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 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF NISSWA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

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

Changes in Actuarial 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.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

CITY OF NISSWA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

**CITY OF NISSWA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Amounts- Original and Final	Amounts Budgetary Basis	Budget Over (Under)
RECEIPTS			
Taxes			
Property Taxes	\$ 2,786,000	\$ 2,178,175	\$ (607,825)
Licenses and Permits	9,000	10,255	1,255
Intergovernmental Receipts			
Federal Receipts			
Coronavirus Relief Funds	-	114,528	114,528
State Receipts			
Market Value Credit	120	126	6
PERA Aid	1,633	-	(1,633)
Police and Fire Aid	-	130,167	130,167
Other State Grants and Aids	5,000	8,369	3,369
Total Intergovernmental Receipts	6,753	253,190	246,437
Charges for Services			
General Government	109,700	126,100	16,400
Police and Fire Contracts	7,500	6,936	(564)
Parks and Recreation	-	13,790	13,790
Cemetery	15,000	18,700	3,700
Total Charges for Services	132,200	165,526	33,326
Fines and Forfeitures	20,000	25,579	5,579
Miscellaneous Receipts			
Investment Earnings	25,000	31,200	6,200
Sale of Assets	-	2,652	2,652
Refunds and Reimbursements	20,000	24,406	4,406
Contributions and Donations	-	18,555	18,555
Other Miscellaneous	119,000	7,699	(111,301)
Total Miscellaneous Receipts	164,000	84,512	(79,488)
TOTAL RECEIPTS	3,117,953	2,717,237	(400,716)

**CITY OF NISSWA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
DISBURSEMENTS			
General Government			
Mayor and Council	30,000	24,698	(5,302)
Administration and Finance	321,465	340,136	18,671
Other General Government	312,229	349,830	37,601
Capital Outlay	<u>3,700</u>	<u>1,851</u>	<u>(1,849)</u>
Total General Government	667,394	716,515	49,121
Public Safety			
Police			
Current	865,680	817,751	(47,929)
Capital Outlay	<u>60,500</u>	<u>89,518</u>	<u>29,018</u>
Total Public Safety	926,180	907,269	(18,911)
Public Works			
Street Maintenance and Storm Sewers	651,112	638,411	(12,701)
Street Lighting	24,976	28,578	3,602
Capital Outlay - Street Construction	48,400	56,874	8,474
Capital Outlay - Other	<u>58,390</u>	<u>108,690</u>	<u>50,300</u>
Total Public Works	782,878	832,553	49,675
Sanitation			
Other Sanitation	70,000	45,019	(24,981)
Housing and Economic Development			
Economic Development			
Current	8,250	5,555	(2,695)
Miscellaneous Disbursements			
Cemetery			
Current	96,167	97,731	1,564
Capital Outlay	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total Miscellaneous Disbursements	<u>100,167</u>	<u>97,731</u>	<u>(2,436)</u>
TOTAL DISBURSEMENTS	<u>2,554,869</u>	<u>2,604,642</u>	<u>49,773</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS			
	563,084	112,595	(450,489)

**CITY OF NISSWA, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budget Amounts- Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
OTHER FINANCING SOURCES (USES)			
Transfers			
From Other Funds	265,000	271,500	6,500
To Other Funds	<u>(275,475)</u>	<u>(373,940)</u>	<u>(98,465)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,475)</u>	<u>(102,440)</u>	<u>(91,965)</u>
NET CHANGE IN CASH FUND BALANCE	<u>\$ 552,609</u>	10,155	<u>\$ (542,454)</u>
CASH FUND BALANCE - BEGINNING		<u>5,016,839</u>	
CASH FUND BALANCE - ENDING		<u>\$ 5,026,994</u>	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 - Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$2,604,642 were in excess of final budgeted amounts by \$49,773 for the current year. This is primarily due to unbudgeted costs in Other General Government for professional services and Public Works Capital Outlay.

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 721,013	\$ 1,556	\$ 7,435	\$ 730,004
LIABILITIES				
Due to Other Funds	\$ 19,975	\$ -	\$ 344,160	\$ 364,135
Advances from Other Funds	<u>75,294</u>	<u>-</u>	<u>-</u>	<u>75,294</u>
Total Liabilities	95,269	-	344,160	439,429
CASH FUND BALANCES				
Restricted	-	1,556	-	1,556
Committed	196,000	-	7,435	203,435
Assigned	452,517	-	-	452,517
Unassigned	<u>(22,773)</u>	<u>-</u>	<u>(344,160)</u>	<u>(366,933)</u>
Total Cash Fund Balances	<u>625,744</u>	<u>1,556</u>	<u>(336,725)</u>	<u>290,575</u>
TOTAL LIABILITIES AND CASH FUND BALANCES				
	<u>\$ 721,013</u>	<u>\$ 1,556</u>	<u>\$ 7,435</u>	<u>\$ 730,004</u>

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
RECEIPTS				
Tax Increment	\$ -	\$ 5,576	\$ -	\$ 5,576
Intergovernmental	480	-	-	480
Charges for Services	202,361	-	-	202,361
Investment Income	571	-	94	665
Miscellaneous	59,787	-	(30)	59,757
TOTAL RECEIPTS	<u>263,199</u>	<u>5,576</u>	<u>64</u>	<u>268,839</u>
DISBURSEMENTS				
Current:				
Public Safety	217,807	-	-	217,807
Public Works	-	-	105,767	105,767
Parks and Recreation	259,999	-	151,880	411,879
Economic Development	-	19,998	-	19,998
Capital Outlay	64,256	-	-	64,256
TOTAL DISBURSEMENTS	<u>542,062</u>	<u>19,998</u>	<u>257,647</u>	<u>819,707</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(278,863)	(14,422)	(257,583)	(550,868)
OTHER FINANCING SOURCES (USES)				
Transfers In	373,940	-	-	373,940
Transfers Out	(6,500)	-	-	(6,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>367,440</u>	<u>-</u>	<u>-</u>	<u>367,440</u>
NET CHANGE IN CASH FUND BALANCES	88,577	(14,422)	(257,583)	(183,428)
CASH FUND BALANCES - BEGINNING	<u>537,167</u>	<u>15,978</u>	<u>(79,142)</u>	<u>474,003</u>
CASH FUND BALANCES - ENDING	<u>\$ 625,744</u>	<u>\$ 1,556</u>	<u>\$ (336,725)</u>	<u>\$ 290,575</u>

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022

	Fire Fund	Park and Recreation	Community Center	Economic Development Authority	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and Cash Equivalents	\$ 527,811	\$ 103,469	\$ 89,733	\$ -	\$ 721,013
LIABILITIES					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 19,975	\$ 19,975
Advances from Other Funds	75,294	-	-	-	75,294
Total Liabilities	75,294	-	-	19,975	95,269
CASH FUND BALANCES					
Committed	-	96,000	100,000	-	196,000
Assigned	452,517	-	-	-	452,517
Unassigned	-	7,469	(10,267)	(19,975)	(22,773)
Total Cash Fund Balances	452,517	103,469	89,733	(19,975)	625,744
TOTAL LIABILITIES AND CASH FUND BALANCES	\$ 527,811	\$ 103,469	\$ 89,733	\$ -	\$ 721,013

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Fire Fund	Park and Recreation	Community Center	Economic Development Authority	Total Nonmajor Special Revenue Funds
RECEIPTS					
Intergovernmental	\$ 480	\$ -	\$ -	\$ -	\$ 480
Charges for Services	154,535	20,356	27,470	-	202,361
Investment Income	277	294	-	-	571
Miscellaneous	<u>48,595</u>	<u>6,457</u>	<u>4,735</u>	-	<u>59,787</u>
TOTAL RECEIPTS	<u>203,887</u>	<u>27,107</u>	<u>32,205</u>	-	<u>263,199</u>
DISBURSEMENTS					
Current:					
Public Safety	217,807	-	-	-	217,807
Parks and Recreation	-	233,340	26,659	-	259,999
Capital Outlay	<u>25,320</u>	<u>21,140</u>	<u>17,796</u>	-	<u>64,256</u>
TOTAL DISBURSEMENTS	<u>243,127</u>	<u>254,480</u>	<u>44,455</u>	-	<u>542,062</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(39,240)	(227,373)	(12,250)	-	(278,863)
OTHER FINANCING SOURCES (USES)					
Transfers In	98,465	257,075	18,400	-	373,940
Transfers Out	<u>-</u>	<u>(6,500)</u>	<u>-</u>	-	<u>(6,500)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>98,465</u>	<u>250,575</u>	<u>18,400</u>	-	<u>367,440</u>
NET CHANGE IN CASH FUND BALANCE	59,225	23,202	6,150	-	88,577
CASH FUND BALANCES - BEGINNING	<u>393,292</u>	<u>80,267</u>	<u>83,583</u>	<u>(19,975)</u>	<u>537,167</u>
CASH FUND BALANCES - ENDING	<u>\$ 452,517</u>	<u>\$ 103,469</u>	<u>\$ 89,733</u>	<u>\$ (19,975)</u>	<u>\$ 625,744</u>

**CITY OF NISSWA, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2022**

	TIF 1-12 Nisswa Senior Care	TIF 1-13 American National Bank Project	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 1,556	\$ 1,556
CASH FUND BALANCES			
Restricted	\$ -	\$ 1,556	\$ 1,556

**CITY OF NISSWA, MINNESOTA
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	TIF 1-12 Nisswa Senior Care	TIF 1-13 American National Bank Project	Total Nonmajor Debt Service Funds
RECEIPTS			
Tax Increment	\$ -	\$ 5,576	\$ 5,576
DISBURSEMENTS			
Current:			
Economic Development	<u>14,979</u>	<u>5,019</u>	<u>19,998</u>
NET CHANGE IN CASH FUND BALANCES	(14,979)	557	(14,422)
CASH FUND BALANCES - BEGINNING	<u>14,979</u>	<u>999</u>	<u>15,978</u>
CASH FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ 1,556</u>

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

	Capital Project Fund	Gull Lake Trail	County Road 77/Nokomis Roundabout	Total Nonmajor Capital Project Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,435	\$ -	\$ -	\$ 7,435
LIABILITIES				
Due to Other Funds	\$ -	\$ 235,568	\$ 108,592	\$ 344,160
CASH FUND BALANCES				
Committed	7,435	-	-	7,435
Unassigned	-	(235,568)	(108,592)	(344,160)
Total Fund Balances	7,435	(235,568)	(108,592)	(336,725)
TOTAL LIABILITIES AND CASH FUND BALANCES	\$ 7,435	\$ -	\$ -	\$ 7,435

CITY OF NISSWA, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital Project Fund	Gull Lake Trail	County Road 77/Nokomis Roundabout	Total Nonmajor Capital Project Funds
RECEIPTS				
Investment Income	\$ 94	\$ -	\$ -	\$ 94
Miscellaneous	-	(30)	-	(30)
TOTAL RECEIPTS	<u>94</u>	<u>(30)</u>	<u>-</u>	<u>64</u>
DISBURSEMENTS				
Current:				
Public Works	-	-	105,767	105,767
Parks and Recreation	-	151,880	-	151,880
TOTAL DISBURSEMENTS	<u>-</u>	<u>151,880</u>	<u>105,767</u>	<u>257,647</u>
NET CHANGE IN CASH FUND BALANCES	94	(151,910)	(105,767)	(257,583)
CASH FUND BALANCES - BEGINNING	<u>7,341</u>	<u>(83,658)</u>	<u>(2,825)</u>	<u>(79,142)</u>
CASH FUND BALANCES - ENDING	<u>\$ 7,435</u>	<u>\$ (235,568)</u>	<u>\$ (108,592)</u>	<u>\$ (336,725)</u>

**CITY OF NISSWA, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
<u>General Obligation Bonds</u>									
	3/12/2013	0.30-2.00%	2/1/2025	\$ 1,945,000	\$ 675,000	\$ -	\$ 165,000	\$ 510,000	\$ 165,000
	7/17/2018	5.00%	2/1/2026	1,515,000	1,135,000	-	205,000	930,000	215,000
				3,460,000	1,810,000	-	370,000	1,440,000	380,000
<u>General Obligation Note</u>									
	2/15/2012	1.00%	8/20/2032	1,500,000	896,000	-	77,000	819,000	78,000
<u>Taxable General Obligation Bonds</u>									
	7/11/2013	3.00-3.35%	2/1/2024	585,000	195,000	-	65,000	130,000	65,000
TOTAL GOVERNMENTAL DEBTS				5,545,000	2,901,000	-	512,000	2,389,000	523,000
ENTERPRISE INDEBTEDNESS									
<u>General Obligation Bonds</u>									
	8/22/2012	0.50-2.60%	12/1/2027	1,240,000	550,000	-	80,000	470,000	85,000
	8/26/2020	1.00%	8/20/2040	1,728,697	4,498,979	-	163,979	4,335,000	164,000
				2,968,697	5,048,979	-	243,979	4,805,000	249,000
<u>Leases</u>									
	1/1/2022	3.25%	3/15/2029	691,381	-	691,381	84,820	606,561	88,975
TOTAL ENTERPRISE DEBTS				3,660,078	5,048,979	691,381	328,799	5,411,561	337,975
TOTAL INDEBTEDNESS				<u>\$ 9,205,078</u>	<u>\$ 7,949,979</u>	<u>\$ 691,381</u>	<u>\$ 840,799</u>	<u>\$ 7,800,561</u>	<u>\$ 860,975</u>

**CITY OF NISSWA, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amounts</u>
General	Property Taxes	\$ 33,094
Debt Service	Property Taxes	8,107
TIF 1-13 American National Bank Project	Tax Increment	5,576
Sewer	Customer Charges	<u>206,997</u>
Total Accounts Receivable		<u>\$ 253,774</u>

CITY OF NISSWA, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2022
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amounts</u>
General	Gammello - Pearson	Professional Fees	<u>\$ 1,898.75</u>
			\$ 1,898.75
Nonmajor	Gammello - Pearson	Professional Fees	1,155.00
	Widseth	Professional Fees	<u>540.00</u>
			1,695.00
Sewer	Gopher State One-Call	Other	9.55
	Holden Electric Co. Inc	Repairs and Maintenance	6,400.00
	The Wagon	Repairs and Maintenance Contractual	<u>330.00</u>
			6,739.55
Liquor	MN Department of Revenues	Sales Tax	35,176.00
	American Welding & Gas	Operating Supplies	40.81
	Aramark Uniform & Career Apparel	Operating Supplies	215.78
	Bernick's	Products for Resale	968.40
	Breakthru Beverage MN Wine & Spirits	Products for Resale	(13.50)
	C & L Distributing	Products for Resale	2,450.25
	Central McGowen	Rental	57.98
	D & D Beverage	Products for Resale	2,103.90
	Heggie's Pizza	Products for Resale	397.30
	Jackson Family Trucking	Transportation	83.33
	Johnson Brothers Liquor Company	Products for Resale	148.58
	Johnson Brothers Liquor Company	Transportation	4.67
	Northland Frozen Pizza	Products for Resale	152.90
	PGS Restaurant Services	Repairs and Maintenance	667.34
	Phillips Wine & Spirits	Products for Resale	1,053.37
	Phillips Wine & Spirits	Transportation	24.34
	R & J Broadcasting	Advertising	216.00
	Schaefer's	Operating Supplies	257.32
	Schaefer's	Products for Resale	53.57
	Southern Glazer's Wine & Spirits	Products for Resale	15,640.07
	Southern Glazer's Wine & Spirits	Transportation	311.80
	Sysco	Operating Supplies	220.72
	Sysco	Products for Resale	429.75
	Sysco	Transportation	8.44
	Viking Coca Cola Bottling	Operating Supplies	230.75
	Viking Coca Cola Bottling	Products for Resale	<u>26.80</u>
			<u>60,926.67</u>
		Total	<u>\$ 71,259.97</u>

OTHER REQUIRED REPORTS

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

Honorable Mayor and City Council
City of Nisswa, 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 each major fund and the aggregate remaining fund information of the City of Nisswa (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 of Nisswa's basic financial statements and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Nisswa'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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that the City of Nisswa failed to comply with provisions of the tax increment financing section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Responses* as item 2022-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Nisswa failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Nisswa's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Nisswa's response to the findings identified in our engagement and described in the accompanying *Schedule of Findings and Responses*. City of Nisswa's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 17, 2023

**CITY OF NISSWA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2022-003	Financial Statement Preparation
<i>Condition:</i>	Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management’s responsibility to provide for the preparation of financial statements and the auditor’s responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.
<i>Criteria:</i>	Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.
<i>Cause:</i>	The City’s staff does not possess the expertise to prepare financial statements internally. This is not unusual for a City of your size.
<i>Effect:</i>	The inability to internally prepare the City’s financial statements can result in undetected errors in financial reporting.
<i>Recommendation:</i>	We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding.
<i>Views of Responsible Officials And Planned Corrective Actions:</i>	Management agrees with the recommendation. See corresponding Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2022-004	Tax Increment Financing District Knockdown Certification
<i>Condition:</i>	The City failed to report the activity of TIF District 1-13 to the county auditor before the prescribed deadline, as required under Minnesota Statutes.
<i>Criteria:</i>	Under Minnesota Statute 469.176, subdivision 6, the City must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.
<i>Cause:</i>	The City failed to report the activity of TIF District 1-13 to the county auditor before the prescribed deadline.
<i>Effect:</i>	The failure to report the activity of the City’s TIF district within the prescribed time frame resulted in the City’s noncompliance with Minnesota Statutes.
<i>Recommendation:</i>	We recommend that management report the decertification of future TIF districts before the prescribed deadline of February 1.
<i>Views of Responsible Officials And Planned Corrective Actions:</i>	Management agrees with the recommendation and has already completed the required reporting for TIF District 1-13 to rectify this matter. See corresponding Corrective Action Plan.

**CITY OF NISSWA, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS

Finding 2022-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City currently has the following procedures in place:
 - o The City Council reviews the monthly invoices and approves the expenditures.The City will review current procedures and implement additional controls where possible.
3. Official Responsible
Jenny Max, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

Finding 2022-002 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
3. Official Responsible
Jenny Max, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF NISSWA, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-003 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible
Jenny Max, City Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2022-004 Tax Increment Financing Knockdown Certification

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Prior to the issuance of the report, the City has already completed the required reporting described in Minnesota Statute 469.176, subdivision 6. Therefore, this issue has been rectified.
3. Official Responsible
Jenny Max, City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2023.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

City of Nisswa, Minnesota

Report to the Members of
Governance

March 17, 2023

**SCHLENNER
WENNER & CO.**
CPAs

**CITY OF NISSWA, MINNESOTA
TABLE OF CONTENTS**

Introductory Letter.....1

Required Communications2

Members of Governance
City of Nisswa, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of City of Nisswa (the City) as of and for the year ended December 31, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 17, 2023

CITY OF NISSWA, MINNESOTA REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated January 4, 2023. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated January 27, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting practices prescribed by the State of Minnesota's Office of the State Auditor, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City.

Effective the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that were previously classified as operating leases and recognized as income by lessors and expenses by lessees. The standard also replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. The City implemented GASB Statement No. 87 and adjusted the presentation in the financial statements accordingly.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The only estimates we have deemed significant to the financial statements are estimates associated with the following balances reported at year-end:

- Net pension asset/liability and related deferred outflows/inflows of resources

CITY OF NISSWA, MINNESOTA REQUIRED COMMUNICATIONS

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, have been proposed by us and recorded by the City for the purpose of recording cash to accrual adjustments and correcting adjustments to opening fund balances and expenditures.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Departure From the Auditor's Standard Report

Our Independent Auditor's Report includes several additional or non-standard paragraphs that you should be aware of as follows:

- Modifications to our opinions paragraphs related to the financial statements being presented on the regulatory basis of accounting, in accordance with the financial reporting provisions prescribed by the State of Minnesota's Office of the State Auditor
- Emphasis of Matter for the Adoption of GASB Statement No. 87, *Leases*
- Other Matters related to Required Supplementary Information and Supplementary Information
- Other Reporting Required by *Government Auditing Standards*

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management and audit firms work together in considering compliance with AICPA and *Government Accountability Office (GAO)* independence rules. For Schlenner Wenner & Co. to fulfill its professional responsibility to maintain and monitor independence, management and Schlenner Wenner & Co. both play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. Schlenner Wenner & Co. is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

CITY OF NISSWA, MINNESOTA REQUIRED COMMUNICATIONS

The City's Responsibilities

- Timely inform Schlenner Wenner & Co., before the effective date of transactions or other changes, of the following:
 - New affiliates, members of governance, or person in financial reporting and compliance oversight roles.
 - Changes in the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, members of governance, or persons in a decision-making capacity, engaging in business relationships with Schlenner Wenner & Co.
- Not entering into arrangements of non-audit services resulting in Schlenner Wenner & Co. being involved in making management decisions on behalf of the City.
- Not entering into relationships resulting in Schlenner Wenner & Co., Schlenner Wenner & Co. covered persons or their close family members, temporarily or permanently acting as a member of governance or person in an accounting, financial reporting or compliance oversight role at the City.

Internal Control and Compliance Matters

We have separately communicated the material weaknesses and significant deficiency in internal control over financial reporting identified during our audit of the basic financial statements, as required by *Government Auditing Standards*. This communication is included within the compliance section of the City's financial report for the year ended December 31, 2022.

Significant Written Communications Between Management and Our Firm

We have requested significant written communications from management that are included in the management representation letter dated March 17, 2023.