

Annual Financial Report

City of Norwood Young America

Norwood Young America, Minnesota

For the Year Ended
December 31, 2018

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2018

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	41
Proprietary Funds	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	45
Statement of Cash Flows	46
Fiduciary Fund	
Statement of Fiduciary Net Position	48
Notes to the Financial Statements	49
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	78
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	78
Notes to the Required Supplementary Information - General Employees Retirement Fund	79
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	80
Schedule of Employer's Contributions - Statewide Volunteer Firefighters Fund	81
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	85
Nonmajor Special Revenue Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	87
Nonmajor Capital Projects Funds	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	93
Debt Service Funds	
Combining Balance Sheet	98
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	100
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	102

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2018

	<u>Page No.</u>
Other Required Reports	
Independent Auditor's Report on Minnesota Legal Compliance	105
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 <i>Government Auditing Standards</i>	106
Schedule of Findings and Responses	108

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

INTRODUCTORY SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carol Lagergren	Mayor	2018
Dick Stoltz	Council Member	2020
Mike McPadden	Council Member	2020
Charlie Storms	Council Member	2018
Craig Heher	Council Member	2018

APPOINTED

Steve Helget	Administrator
Kelly Hayes	Clerk-Treasurer

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

FINANCIAL SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of December 31, 2018, and the respective changes in financial position and cash flows and the respective budgetary comparison schedule for the General fund, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Shares of the Net Pension Liability, the related note disclosures, the Schedules of Employer's Contributions, and the Schedule of Changes in Net Pension Liability (Asset) and related ratios starting on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

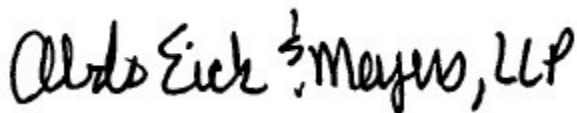
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 28, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

Management's Discussion and Analysis

As management of the City of Norwood Young America, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,653,839 (net position). The remaining positive balance of *unrestricted net position* (\$3,894,871) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$739,715 due to increases from both Governmental activities of \$391,681 and from business-type activities of \$348,034.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,548,881, an increase of \$897,763 in comparison with the prior year to primarily to sales of land in the industrial park.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,609,410, 75.5 percent of 2019 budgeted General fund expenditures. Nonspendable fund balance was \$248,114 for a total General fund balance of \$1,857,524.

Overview of the Financial Statements

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

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

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

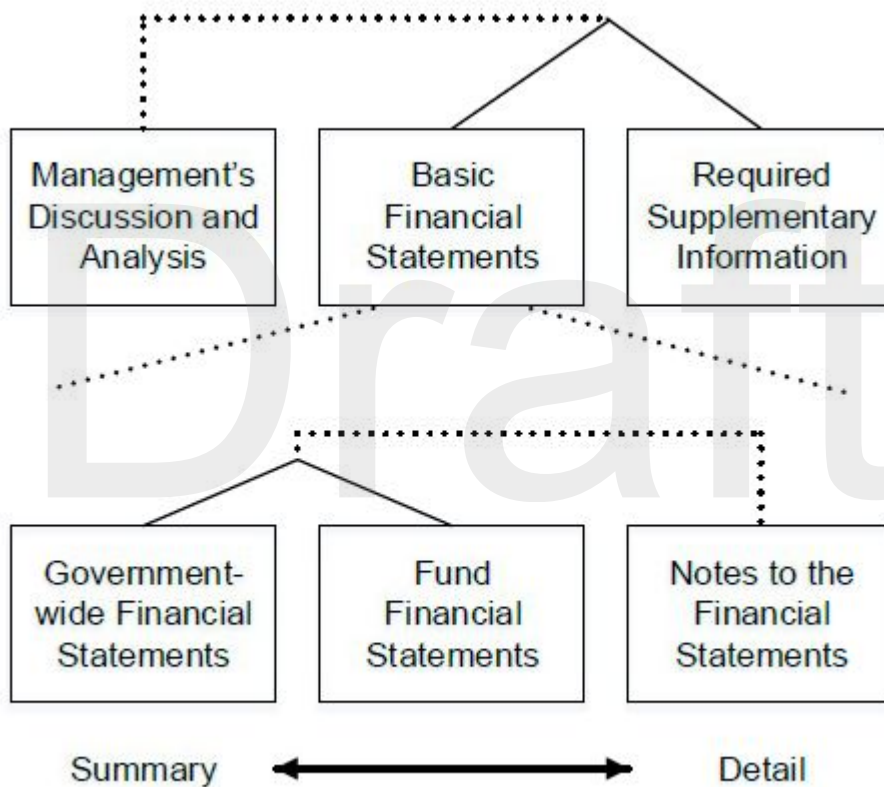


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains twenty three individual governmental funds, six of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Capital fund and the TIF 3-6 fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 42 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 49 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Norwood Young America's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 78 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules starts on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,653,839 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (69.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Norwood Young America's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Assets						
Current and other assets	\$ 5,194,512	\$ 5,265,523	\$ (71,011)	\$ 2,537,309	\$ 4,161,726	\$ (1,624,417)
Capital assets	16,883,386	17,420,950	(537,564)	18,213,523	18,872,296	(658,773)
Total Assets	22,077,898	22,686,473	(608,575)	20,750,832	23,034,022	(2,283,190)
Deferred Outflows of Resources						
Deferred pension resources	126,549	85,631	40,918	33,753	47,930	(14,177)
Liabilities						
Noncurrent liabilities outstanding	10,876,593	11,876,969	(1,000,376)	11,597,511	14,241,163	(2,643,652)
Other liabilities	400,335	362,004	38,331	264,164	259,856	4,308
Total Liabilities	11,276,928	12,238,973	(962,045)	11,861,675	14,501,019	(2,639,344)
Deferred Outflows of Resources						
Deferred pension resources	157,016	154,309	2,707	39,574	45,631	(6,057)
Net Position						
Invested in capital assets, net of related debt	6,370,820	5,930,180	440,640	6,780,834	4,812,307	1,968,527
Restricted for						
Debt service	1,982,091	2,273,639	(291,548)	437,113	406,940	30,173
Park dedication	56,529	72,092	(15,563)	-	-	-
Economic development	24,253	4,869	19,384	-	-	-
2011 infrastructure	51,939	51,939	-	-	-	-
Street maintenance	55,389	28,017	27,372	-	-	-
Unrestricted	2,229,482	2,018,086	211,396	1,665,389	3,316,055	(1,650,666)
Total Net Position	\$10,770,503	\$10,378,822	\$ 391,681	\$ 8,883,336	\$ 8,535,302	\$ 348,034

An additional portion of the City's net position (11.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,894,871) may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

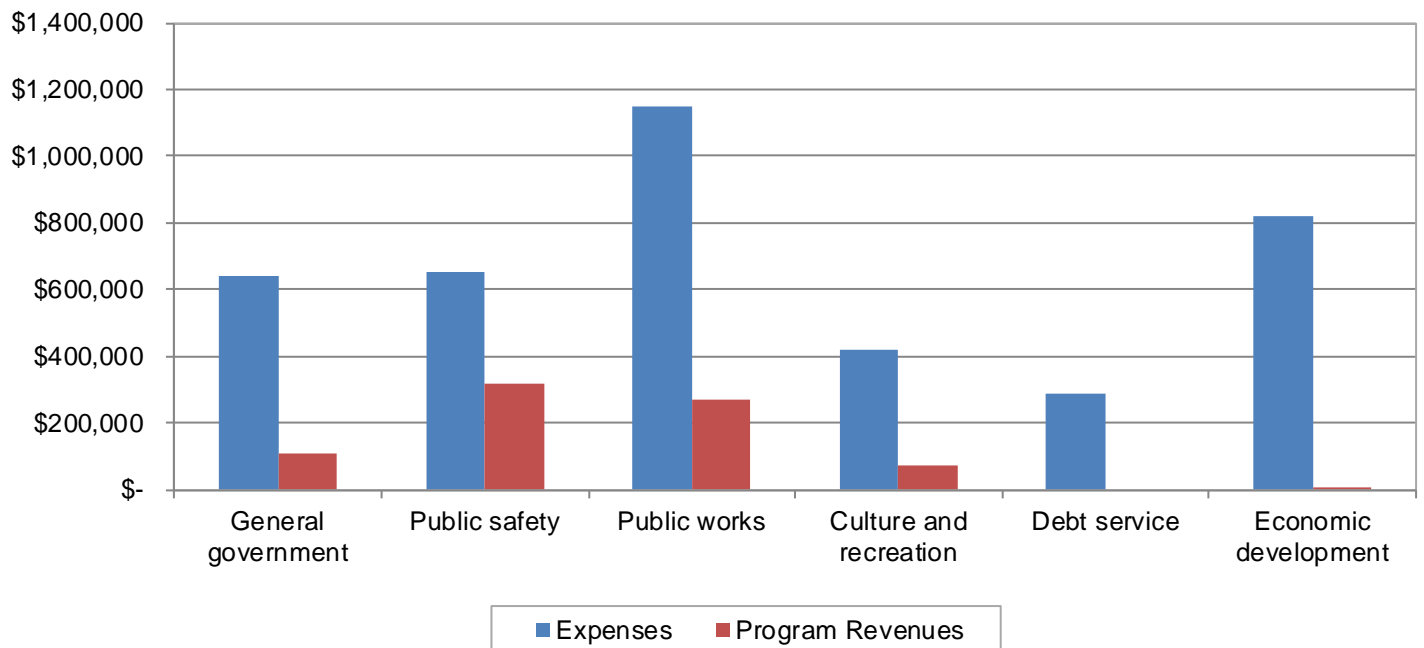
City of Norwood Young America's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 577,361	\$ 467,549	\$ 109,812	\$ 3,180,349	\$ 3,103,000	\$ 77,349
Operating grants and contributions	32,837	42,907	(10,070)	108,072	61,470	46,602
Capital grants and contributions	171,850	186,934	(15,084)	168,075	450,472	(282,397)
General Revenues						
Property taxes	2,435,615	2,161,867	273,748	19,331	18,416	915
Tax increments	237,908	167,716	70,192	-	-	-
Grants and Contributions Not restricted to specific programs	402,776	389,195	13,581	-	-	-
Unrestricted Investment Earnings	82,709	60,554	22,155	7,283	13,582	(6,299)
Gain on Sale of Capital Assets	1,022,675	-	1,022,675	-	-	-
Miscellaneous	9,895	23,774	(13,879)	-	62	(62)
Total Revenues	<u>4,973,626</u>	<u>3,500,496</u>	<u>1,473,130</u>	<u>3,483,110</u>	<u>3,647,002</u>	<u>(163,892)</u>
Expenses						
General government	640,490	654,295	(13,805)	-	-	-
Public safety	652,228	483,741	168,487	-	-	-
Public works	1,147,937	957,550	190,387	-	-	-
Culture and recreation	419,896	398,129	21,767	-	-	-
Economic development	821,815	140,329	681,486	-	-	-
Miscellaneous	824,418	-	824,418	-	-	-
Debt Service	289,847	377,845	(87,998)	-	-	-
Water	-	-	-	684,802	735,853	(51,051)
Sewer	-	-	-	605,123	579,144	25,979
Harbor at Peace	-	-	-	1,630,465	1,441,716	188,749
Total Expenses	<u>4,796,631</u>	<u>3,011,889</u>	<u>1,784,742</u>	<u>2,920,390</u>	<u>2,756,713</u>	<u>163,677</u>
Change in Net Position Before Transfers	176,995	488,607	(311,612)	562,720	890,289	(327,569)
Transfers	<u>214,686</u>	<u>311,620</u>	<u>(96,934)</u>	<u>(214,686)</u>	<u>(311,620)</u>	<u>96,934</u>
Change in Net Position	391,681	800,227	(408,546)	348,034	578,669	(230,635)
Net Position, January 1	<u>10,378,822</u>	<u>9,578,595</u>	<u>800,227</u>	<u>8,535,302</u>	<u>7,956,633</u>	<u>578,669</u>
Net Position, December 31	<u>\$10,770,503</u>	<u>\$10,378,822</u>	<u>\$ 391,681</u>	<u>\$ 8,883,336</u>	<u>\$ 8,535,302</u>	<u>\$ 348,034</u>

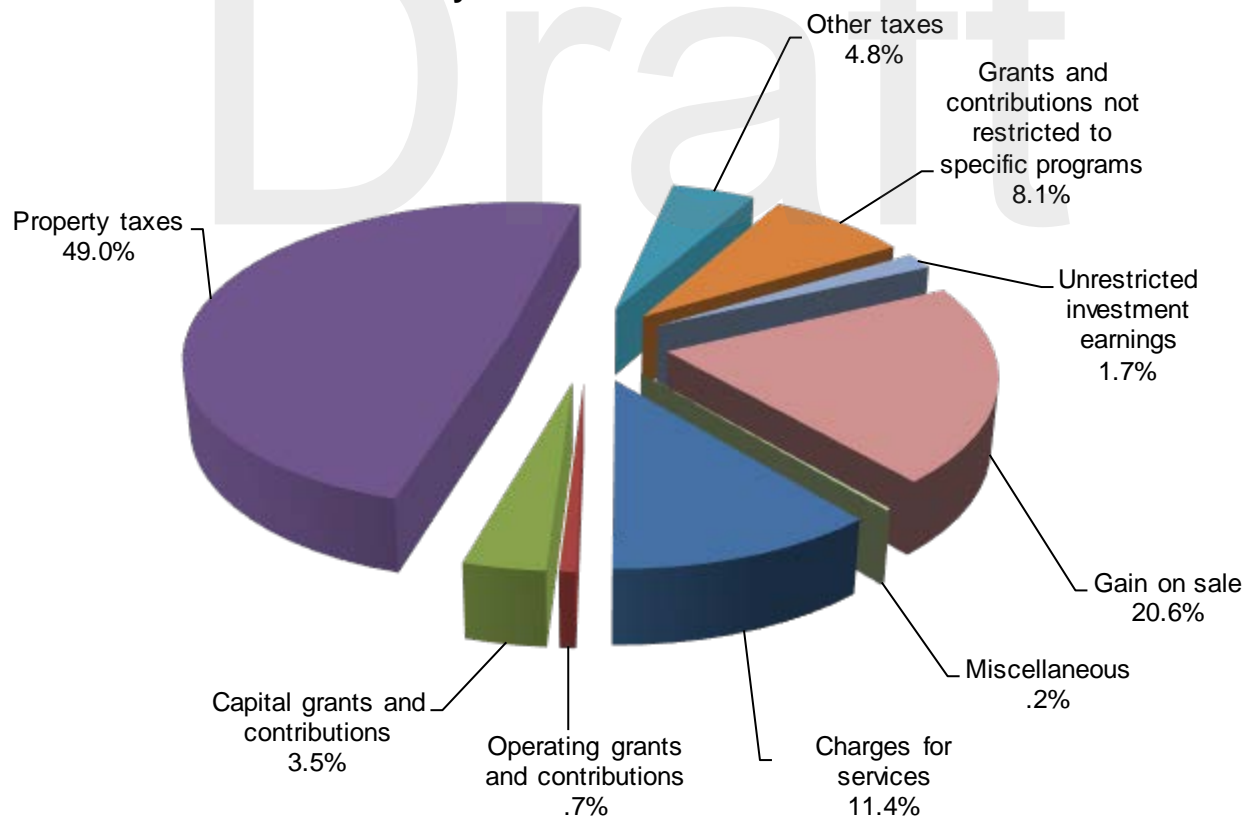
The increase in gain on sale of land was due to land sales in the industrial park in 2018.

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

Expenses and Program Revenues - Governmental Activities

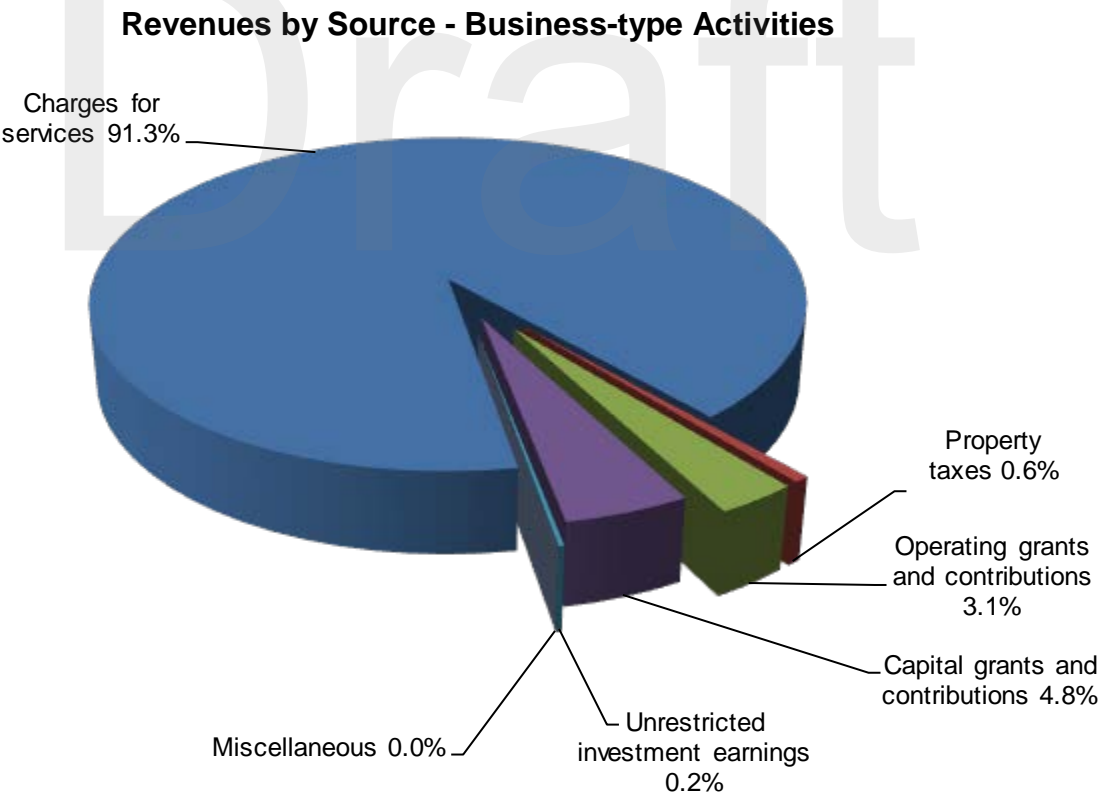
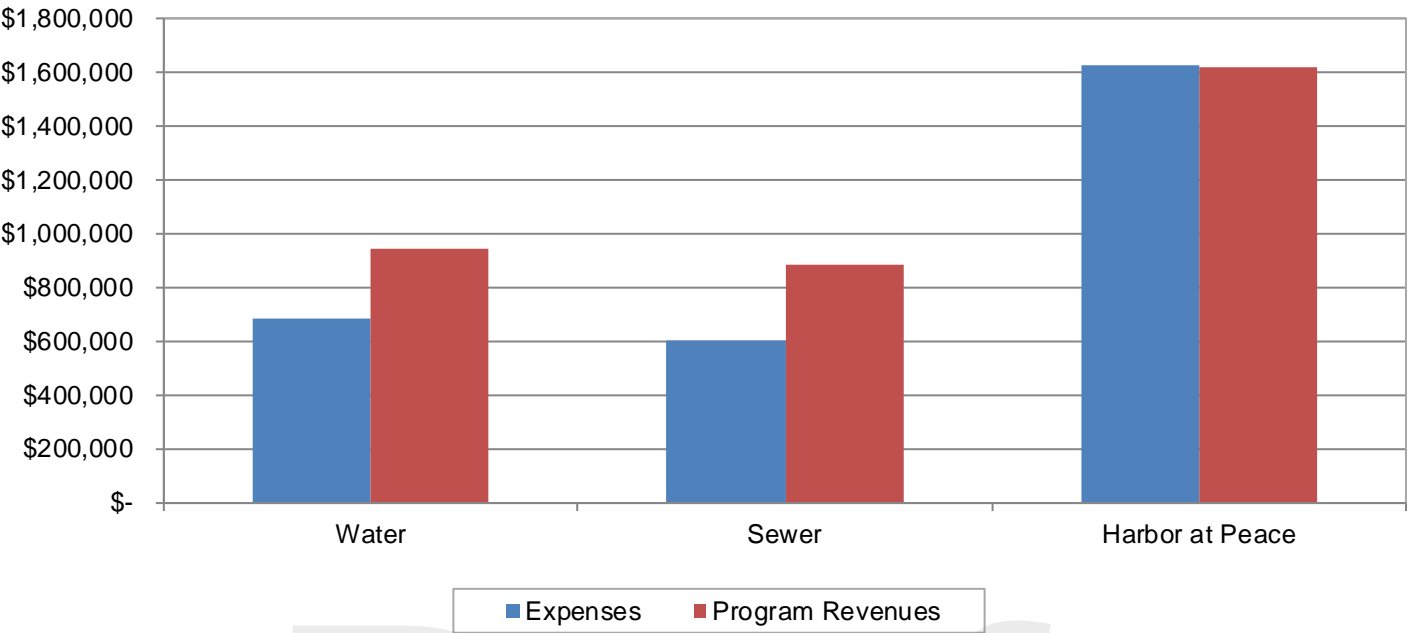


Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City's net position by \$348,034. The main reason for this increase was due to revenues over expenses. The following charts the operating expenses and revenues for the business-type activities excluding the operating and capital transfers discussed above.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,548,881, an increase of \$897,763 in comparison with the prior year. Approximately 3.3 percent of this total amount or \$152,017 constitutes unassigned deficit fund balance deficit. The remainder of fund balance \$4,700,898 is not available for new spending because it is either 1) nonspendable \$2,013,628, 2) restricted \$1,885,872, or 3) assigned \$801,398 for the purposes described the fund balance section of each balance sheet.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,857,524 and increase of \$191,901 over the prior year. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75.5 percent of fund expenditures, while total fund balance represents 87.1 percent of that same amount.

The Debt Service fund has a total fund balance of \$1,697,762, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$545,545 due to the sale of land to support debt service payments.

The Capital fund has a total fund balance of \$2,437,191, which is an increase of \$579,151 from the previous year due to the sale of land.

The TIF District 3-6 has a total fund balance deficit of \$629,426. The deficit was caused by the recognition of land write down costs associated with property sold within the TIF District.

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

Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The amended budget called for an increase in fund balance of \$529,500 compared to the actual net change of an increase of \$191,901.

- Actual General fund revenues were \$48,454 under budget and the expenditures were \$14,397 under budget.
- The largest negative expenditure variance was related to the public safety department which was over budget by \$30,520.
- The largest revenue variance was in miscellaneous revenues which was \$17,907 over budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$35,096,909 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Additional information on the City's capital assets can be found in Note 3B starting on page 60 of this report.

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

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 3,117,981	\$ 3,117,981	\$ -	\$ 239,048	\$ 239,048	\$ -
Construction in Progress	51,319	-	51,319	5,141	-	5,141
Buildings	3,080,674	3,208,880	(128,206)	8,415,522	8,699,775	(284,253)
Infrastructure	9,878,279	10,303,043	(424,764)	9,197,542	9,568,549	(371,007)
Machinery and Equipment	755,133	791,046	(35,913)	356,270	364,924	(8,654)
Total	<u>\$16,883,386</u>	<u>\$17,420,950</u>	<u>\$ (537,564)</u>	<u>\$18,213,523</u>	<u>\$18,872,296</u>	<u>\$ (658,773)</u>

Long-term Debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Norwood Young America's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 1,415,000	\$ 1,415,000	\$ -	\$ -	\$ -	\$ -
General Obligation Improvement Bonds	8,830,000	9,775,000	(945,000)	-	-	-
General Obligation Revenue Bonds	135,000	145,000	(10,000)	9,175,000	11,641,000	(2,466,000)
Revenue Bonds	-	-	-	2,255,000	2,415,000	(160,000)
Bond Premium	132,566	155,770	(23,204)	2,689	3,989	(1,300)
Bond Discount	-	-	-	(39,762)	(45,850)	6,088
Total	<u>\$10,512,566</u>	<u>\$11,490,770</u>	<u>\$ (978,204)</u>	<u>\$11,392,927</u>	<u>\$14,014,139</u>	<u>\$ (2,621,212)</u>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The Cities applicable debt is currently not exceeding this limit.

Additional information on the City's long-term debt can be found in Note 3D starting on page 63 of this report.

Economic Factors

- In 2018, the 2019 – 2023 Financial Plan was updated and adopted. The information compiled in the plan was used to assist in preparing the 2019 budget and property tax levy.
- In 2018, 5 new businesses were established, one business in the industrial park completed a major expansion, and one business completed their new building project.
- In 2018, building permits were issued for 11 single-family homes and 6 townhome/twin homes.

Requests for Information

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

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 4,678,837	\$ 1,837,969	\$ 6,516,806
Restricted cash and temporary investments	-	396,297	396,297
Receivables			
Accrued interest	4,583	-	4,583
Delinquent taxes	47,424	-	47,424
Accounts	10,636	182,042	192,678
Loans	2,449	-	2,449
Special assessments	410,111	115,396	525,507
Due from other governments	80,100	-	80,100
Prepaid items	24,967	5,605	30,572
Net pension asset	(64,595)	-	(64,595)
Capital assets			
Non-depreciable	3,169,300	244,189	3,413,489
Depreciable (net of accumulated depreciation)	13,714,086	17,969,334	31,683,420
Total Assets	<u>22,077,898</u>	<u>20,750,832</u>	<u>42,828,730</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>126,549</u>	<u>33,753</u>	<u>160,302</u>
Liabilities			
Accounts and other payables	113,415	91,447	204,862
Accrued salaries and wages payable	11,403	26,114	37,517
Due to other governments	32,435	3,664	36,099
Deposits payable	118,311	18,166	136,477
Accrued interest payable	124,771	124,773	249,544
Noncurrent liabilities			
Due within one year	1,003,037	838,837	1,841,874
Due in more than one year	9,873,556	10,758,674	20,632,230
Total Liabilities	<u>11,276,928</u>	<u>11,861,675</u>	<u>23,138,603</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>157,016</u>	<u>39,574</u>	<u>196,590</u>
Net Position			
Net investment in capital assets	6,370,820	6,780,834	13,151,654
Restricted for			
Debt service	1,982,091	437,113	2,419,204
Park dedication	56,529	-	56,529
Economic development	24,253	-	24,253
2013 infrastructure	51,939	-	51,939
Street maintenance	55,389	-	55,389
Unrestricted	<u>2,229,482</u>	<u>1,665,389</u>	<u>3,894,871</u>
Total Net Position	<u>\$ 10,770,503</u>	<u>\$ 8,883,336</u>	<u>\$ 19,653,839</u>

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

City of Norwood Young America, Minnesota

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 640,490	\$ 105,802	\$ 2,965	\$ -
Public safety	652,228	303,775	17,887	-
Public works	1,147,937	92,423	6,264	171,051
Culture and recreation	419,896	72,842	2,721	799
Economic development	821,815	2,519	3,000	-
Miscellaneous	824,418	-	-	-
Interest on long-term debt	289,847	-	-	-
Total Governmental Activities	<u>4,796,631</u>	<u>577,361</u>	<u>32,837</u>	<u>171,850</u>
Business-type Activities				
Water	684,802	848,558	10,333	84,650
Sewer	605,123	759,244	46,625	83,425
Harbor at Peace	1,630,465	1,572,547	51,114	-
Total Business-type Activities	<u>2,920,390</u>	<u>3,180,349</u>	<u>108,072</u>	<u>168,075</u>
Total	<u>\$ 7,717,021</u>	<u>\$ 3,757,710</u>	<u>\$ 140,909</u>	<u>\$ 339,925</u>

General Revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of land

Miscellaneous

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (531,723)	\$ -	\$ (531,723)
(330,566)	-	(330,566)
(878,199)	-	(878,199)
(343,534)	-	(343,534)
(816,296)	-	(816,296)
(824,418)	-	(824,418)
(289,847)	-	(289,847)
<u>(4,014,583)</u>	<u>-</u>	<u>(4,014,583)</u>
-	258,739	258,739
-	284,171	284,171
-	(6,804)	(6,804)
<u>-</u>	<u>536,106</u>	<u>536,106</u>
<u>(4,014,583)</u>	<u>536,106</u>	<u>(3,478,477)</u>
1,551,937	19,331	1,571,268
883,678	-	883,678
237,908	-	237,908
402,776	-	402,776
82,709	7,283	89,992
1,022,675	-	1,022,675
9,895	-	9,895
214,686	(214,686)	-
<u>4,406,264</u>	<u>(188,072)</u>	<u>4,218,192</u>
391,681	348,034	739,715
<u>10,378,822</u>	<u>8,535,302</u>	<u>18,914,124</u>
<u>\$ 10,770,503</u>	<u>\$ 8,883,336</u>	<u>\$ 19,653,839</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

FUND FINANCIAL STATEMENTS

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

City of Norwood Young America, Minnesota

Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Capital	TIF 3-6	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	\$ 1,824,932	\$ 1,949,685	\$ 683,677	\$ -	\$ 220,543	\$ 4,678,837
Receivables						
Accrued interest	4,583	-	-	-	-	4,583
Delinquent taxes	47,332	92	-	-	-	47,424
Accounts	4,161	-	-	-	6,475	10,636
Loans	-	-	-	-	2,449	2,449
Special assessments	810	409,199	-	-	102	410,111
Due from other governments	9,314	-	-	-	70,786	80,100
Prepaid items	-	-	24,967	-	-	24,967
Advances to other funds	248,114	-	1,740,547	-	-	1,988,661
Total Assets	\$ 2,139,246	\$ 2,358,976	\$ 2,449,191	\$ -	\$ 300,355	\$ 7,247,768
Liabilities						
Accounts and other payables	\$ 99,153	\$ -	\$ 12,000	\$ -	\$ 2,262	\$ 113,415
Accrued salaries and wages payable	10,363	-	-	-	1,040	11,403
Due to other governments	32,435	-	-	-	-	32,435
Deposits payable	114,311	4,000	-	-	-	118,311
Advances from other funds	-	248,114	-	629,426	1,111,121	1,988,661
Total Liabilities	256,262	252,114	12,000	629,426	1,114,423	2,264,225
Deferred Inflows of Resources						
Unavailable revenue - taxes	24,650	-	-	-	-	24,650
Unavailable revenue - special assessment	810	409,100	-	-	102	410,012
Total Deferred Inflows of Resources	25,460	409,100	-	-	102	434,662
Fund Balances						
Nonspendable						
Advances to other funds	248,114	-	1,765,514	-	-	2,013,628
Restricted for						
Debt service	-	1,697,762	-	-	-	1,697,762
Park dedication	-	-	-	-	56,529	56,529
Economic development	-	-	-	-	24,253	24,253
2013 infrastructure	-	-	-	-	51,939	51,939
Street maintenance	-	-	55,389	-	-	55,389
Assigned for						
Industrial park marketing	-	-	52,410	-	-	52,410
Capital outlay	-	-	563,878	-	185,110	748,988
Unassigned	1,609,410	-	-	(629,426)	(1,132,001)	(152,017)
Total Fund Balances	1,857,524	1,697,762	2,437,191	(629,426)	(814,170)	4,548,881
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,139,246	\$ 2,358,976	\$ 2,449,191	\$ -	\$ 300,355	\$ 7,247,768

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

City of Norwood Young America, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 4,548,881
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	(64,595)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	29,369,255
Less: accumulated depreciation	(12,485,869)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(28,037)
Bond principal payable	(10,380,000)
Less bond premium	(132,566)
Pension liability	(335,990)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	24,650
Special assessments	410,012
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	126,549
Deferred inflows of pension resources	(157,016)
Governmental funds do not report a liability for accrued interest until due and payable.	(124,771)
Total Net Position - Governmental Activities	<u>\$ 10,770,503</u>

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

City of Norwood Young America, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Debt Service	Capital	TIF 3-6	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 1,383,174	\$ 883,678	\$ 176,600	\$ -	\$ 237,908	\$ 2,681,360
Licenses and permits	195,722	-	-	-	-	195,722
Intergovernmental	433,292	-	27,372	-	88,651	549,315
Charges for services	171,448	-	2,536	-	109,753	283,737
Fines and forfeits	9,270	-	-	-	-	9,270
Special assessments	1,464	92,253	-	-	-	93,717
Interest on investments	33,612	579	48,305	-	213	82,709
Miscellaneous	91,107	-	-	-	45,869	136,976
Total Revenues	<u>2,319,089</u>	<u>976,510</u>	<u>254,813</u>	<u>-</u>	<u>482,394</u>	<u>4,032,806</u>
Expenditures						
Current						
General government	583,774	-	-	-	-	583,774
Public safety	471,670	-	-	-	-	471,670
Public works	590,307	-	-	-	21,809	612,116
Culture and recreation	335,177	-	-	-	-	335,177
Economic development	52,630	-	-	-	32,313	84,943
Capital outlay						
Public safety	151	-	27,285	-	-	27,436
Public works	27,074	-	45,441	-	127,731	200,246
Culture and recreation	27,189	-	10,000	-	15,563	52,752
Economic development	44,266	-	-	629,426	-	673,692
Debt service						
Principal	-	955,000	-	-	-	955,000
Interest and other	-	327,293	-	-	48,305	375,598
Total Expenditures	<u>2,132,238</u>	<u>1,282,293</u>	<u>82,726</u>	<u>629,426</u>	<u>245,721</u>	<u>4,372,404</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>186,851</u>	<u>(305,783)</u>	<u>172,087</u>	<u>(629,426)</u>	<u>236,673</u>	<u>(339,598)</u>
Other Financing Sources (Uses)						
Sale of capital assets	5,050	408,597	609,028	-	-	1,022,675
Transfers in	-	442,731	-	-	19,722	462,453
Transfers out	-	-	(201,964)	-	(45,803)	(247,767)
Total Other Financing Sources (Uses)	<u>5,050</u>	<u>851,328</u>	<u>407,064</u>	<u>-</u>	<u>(26,081)</u>	<u>1,237,361</u>
Net Change in Fund Balances	191,901	545,545	579,151	(629,426)	210,592	897,763
Fund Balances, January 1	<u>1,665,623</u>	<u>1,152,217</u>	<u>1,858,040</u>	<u>-</u>	<u>(1,024,762)</u>	<u>3,651,118</u>
Fund Balances, December 31	<u>\$ 1,857,524</u>	<u>\$ 1,697,762</u>	<u>\$ 2,437,191</u>	<u>\$ (629,426)</u>	<u>\$ (814,170)</u>	<u>\$ 4,548,881</u>

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

City of Norwood Young America, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2018

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

Total Net Change in Fund Balances - Governmental Funds	\$ 897,763
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	147,477
Depreciation expense	(685,041)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effect of these differences in the treatment of long-term debt and related items.	
Principal repayments	955,000
Amortization of bond premium	23,204
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	62,547
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(7,837)
Special assessments	(76,606)
Availability charges	(824,418)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(2,069)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(100,927)
Direct aid contributions	2,588
Change in Net Position - Governmental Activities	<u>\$ 391,681</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,351,588	\$ 1,376,588	\$ 1,383,174	\$ 6,586
Licenses and permits	115,900	192,600	195,722	3,122
Intergovernmental	356,287	431,287	433,292	2,005
Charges for services	168,560	168,560	171,448	2,888
Fines and forfeitures	10,000	10,000	9,270	(730)
Special assessments	400	400	1,464	1,064
Interest on investments	1,500	18,000	33,612	15,612
Miscellaneous	48,400	73,200	91,107	17,907
Total Revenues	<u>2,052,635</u>	<u>2,270,635</u>	<u>2,319,089</u>	<u>48,454</u>
Expenditures				
Current				
General government	612,010	611,910	583,774	28,136
Public safety	427,150	441,150	471,670	(30,520)
Public works	581,300	568,400	590,307	(21,907)
Culture and recreation	352,750	360,050	335,177	24,873
Economic development	39,625	51,125	52,630	(1,505)
Capital outlay	92,000	114,000	98,680	15,320
Total Expenditures	<u>2,104,835</u>	<u>2,146,635</u>	<u>2,132,238</u>	<u>14,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,200)</u>	<u>124,000</u>	<u>186,851</u>	<u>62,851</u>
Other Financing Sources (Uses)				
Sale of capital assets	500	413,000	5,050	(407,950)
Transfers in	100,000	41,000	-	(41,000)
Transfers out	(48,500)	(48,500)	-	48,500
Total Other Financing Sources (Uses)	<u>52,000</u>	<u>405,500</u>	<u>5,050</u>	<u>(400,450)</u>
Net Change in Fund Balances	(200)	529,500	191,901	(337,599)
Fund Balances, January 1	<u>1,665,623</u>	<u>1,665,623</u>	<u>1,665,623</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,665,423</u>	<u>\$ 2,195,123</u>	<u>\$ 1,857,524</u>	<u>\$ (337,599)</u>

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

City of Norwood Young America, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2018

	Business-type Activities - Enterprise Funds			
	601	602	251	
	Water	Sewer	Harbor at Peace	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 1,067,779	\$ 679,905	\$ 90,285	\$ 1,837,969
Restricted cash and temporary investments	-	-	396,297	396,297
Receivables				
Accounts	57,921	54,764	69,357	182,042
Special assessments	71,778	43,618	-	115,396
Prepaid items	-	-	5,605	5,605
Total Current Assets	1,197,478	778,287	561,544	2,537,309
Noncurrent Assets				
Deferred charges	-	-	39,762	39,762
Capital assets				
Land	75,230	97,118	66,700	239,048
Buildings	5,890,829	477,582	4,960,656	11,329,067
Infrastructure	6,582,757	10,273,198	27,709	16,883,664
Machinery and equipment	367,771	334,640	381,410	1,083,821
Construction in progress	-	-	5,141	5,141
Less accumulated depreciation	(3,113,055)	(5,928,039)	(2,286,124)	(11,327,218)
Total Capital Assets	9,803,532	5,254,499	3,155,492	18,213,523
Total Noncurrent Assets	9,803,532	5,254,499	3,195,254	18,253,285
Total Assets	11,001,010	6,032,786	3,756,798	20,790,594
Deferred Outflows of Resources				
Deferred pension resources	16,851	16,902	-	33,753

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

City of Norwood Young America, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds			
	601	602	251	
	Water	Sewer	Harbor at Peace	Totals
Liabilities				
Current Liabilities				
Accounts and other payables	\$ 26,358	\$ 34,456	\$ 30,633	\$ 91,447
Due to other governments	1,832	1,832	-	3,664
Accrued salaries and wages payable	2,326	2,326	21,462	26,114
Deposits payable	-	-	18,166	18,166
Accrued interest payable	40,935	10,990	72,848	124,773
Compensated absences payable - current	8,763	8,763	29,311	46,837
Bonds payable - current	399,500	232,500	160,000	792,000
Total Current Liabilities	479,714	290,867	332,420	1,103,001
Noncurrent Liabilities				
Pension liability	78,806	78,941	-	157,747
Bonds payable, net	4,235,213	1,310,476	5,095,000	10,640,689
Total Noncurrent Liabilities	4,314,019	1,389,417	5,095,000	10,798,436
Total Liabilities	4,793,733	1,680,284	5,427,420	11,901,437
Deferred Inflows of Resources				
Deferred pension resources	19,782	19,792	-	39,574
Net Position				
Net investment in capital assets	5,168,819	3,711,523	(2,099,508)	6,780,834
Restricted for debt service	40,816	-	396,297	437,113
Unrestricted	994,711	638,089	32,589	1,665,389
Total Net Position	\$ 6,204,346	\$ 4,349,612	\$ (1,670,622)	\$ 8,883,336

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Totals
Operating Revenues				
Rental income	\$ -	\$ -	\$ 1,518,574	\$ 1,518,574
Other housing income	-	-	55,175	55,175
Charges for services	815,753	756,342	-	1,572,095
Total Operating Revenues	815,753	756,342	1,573,749	3,145,844
Operating Expenses				
Personal services	129,386	129,903	697,424	956,713
Supplies	8,920	23,265	144,509	176,694
Other services and charges	50,472	34,127	176,688	261,287
Repair and maintenance	65,412	68,408	63,140	196,960
Utilities	47,021	55,444	103,245	205,710
Advertising	-	-	11,131	11,131
Depreciation	275,442	266,564	198,950	740,956
Total Operating Expenses	576,653	577,711	1,395,087	2,549,451
Operating Income	239,100	178,631	178,662	596,393
Nonoperating Revenues (Expenses)				
Property taxes	19,331	-	-	19,331
Interest income	6,153	-	1,130	7,283
Miscellaneous income	43,138	49,527	-	92,665
Amortization of deferred charges and bond premium	768	532	(6,088)	(4,788)
Interest expense and other	(108,917)	(27,944)	(179,378)	(316,239)
Total Nonoperating Revenues (Expenses)	(39,527)	22,115	(184,336)	(201,748)
Income (Loss) Before Contributions and Transfers	199,573	200,746	(5,674)	394,645
Contributions and Transfers				
Capital contributions	84,650	83,425	-	168,075
Transfers out	(59,587)	(155,099)	-	(214,686)
Total Capital Contributions and Transfers	25,063	(71,674)	-	(46,611)
Change in Net Position	224,636	129,072	(5,674)	348,034
Net Position, January 1	5,979,710	4,220,540	(1,664,948)	8,535,302
Net Position, December 31	\$ 6,204,346	\$ 4,349,612	\$ (1,670,622)	\$ 8,883,336

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

City of Norwood Young America, Minnesota

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Total
Cash Flows from Operating Activities				
Receipts from tenants and users	\$ 878,766	\$ 822,937	\$ 1,575,030	\$ 3,276,733
Payments to suppliers	(153,957)	(165,883)	(508,744)	(828,584)
Payments to employees	(139,810)	(128,870)	(680,448)	(949,128)
Net Cash Provided by Operating Activities	<u>584,999</u>	<u>528,184</u>	<u>385,838</u>	<u>1,499,021</u>
Cash Flows from Noncapital Financing Activities				
Taxes received	19,331	-	-	19,331
Transfers to other funds	(59,587)	(155,099)	-	(214,686)
Net Cash Used by Noncapital Financing Activities	<u>(40,256)</u>	<u>(155,099)</u>	<u>-</u>	<u>(195,355)</u>
Cash Flows from Capital and Related Financing Activities				
Connection fees received	3,300	2,125	-	5,425
Acquisition of capital assets	(29,240)	(18,744)	(34,199)	(82,183)
Trunk charges received	81,300	81,300	-	162,600
Special assessments	379	1,146	-	1,525
Principal paid on long-term debt	(2,241,625)	(224,375)	(160,000)	(2,626,000)
Interest paid on long-term debt	(150,781)	(29,653)	(180,945)	(361,379)
Net Cash Used by Capital and Related Financing Activities	<u>(2,336,667)</u>	<u>(188,201)</u>	<u>(375,144)</u>	<u>(2,900,012)</u>
Cash Flows from Investing Activities				
Interest received	<u>6,153</u>	<u>-</u>	<u>1,130</u>	<u>7,283</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(1,785,771)	184,884	11,824	(1,589,063)
Cash and Cash Equivalents, January 1	<u>2,853,550</u>	<u>495,021</u>	<u>474,758</u>	<u>3,823,329</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,067,779</u>	<u>\$ 679,905</u>	<u>\$ 486,582</u>	<u>\$ 2,234,266</u>

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

City of Norwood Young America, Minnesota

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	\$ 1,067,779	\$ 679,905	\$ 90,285	\$ 1,837,969
Restricted cash and temporary investments	-	-	396,297	396,297
Cash and Cash Equivalents, December 31	<u>\$ 1,067,779</u>	<u>\$ 679,905</u>	<u>\$ 486,582</u>	<u>\$ 2,234,266</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 239,100	\$ 178,631	\$ 178,662	\$ 596,393
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	43,138	49,527	-	92,665
Depreciation	275,442	266,564	198,950	740,956
(Increase) decrease in assets/deferred outflows				
Accounts receivable	19,875	17,068	(2,783)	34,160
Prepaid items	-	-	(281)	(281)
Deferred pension resources	7,087	7,090	-	14,177
Increase (decrease) in liabilities/deferred inflows				
Accounts and other payables	17,287	26,248	(9,750)	33,785
Due to other governments	581	581	-	1,162
Accrued salaries and wages payable	581	581	9,275	10,437
Deposits payable	-	-	4,064	4,064
Compensated absences payable	452	452	7,701	8,605
Pension liability	(15,517)	(15,528)	-	(31,045)
Deferred pension resources	(3,027)	(3,030)	-	(6,057)
Net Cash Provided by Operating Activities	<u>\$ 584,999</u>	<u>\$ 528,184</u>	<u>\$ 385,838</u>	<u>\$ 1,499,021</u>
Noncash Capital and Related Financing Activities				
Amortization of bond discount/premium	<u>\$ 768</u>	<u>\$ 532</u>	<u>\$ (6,088)</u>	<u>\$ (4,788)</u>

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

City of Norwood Young America, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency Developer's Fund</u>
Assets	
Cash and temporary investments	<u>\$ 170,295</u>
Liabilities	
Accounts payable	<u>\$ 170,295</u>

Draft

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Norwood Young America, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has the following component unit:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 2) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports major governmental funds that are calculated based on these criteria:

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

The City reports the following major governmental funds:

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

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

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

The *TIF 3-6 fund* accounts for resources and payments associated with economic development activity within the City's TIF 3-6 district.

The City reports the following major proprietary funds:

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports on the following fund types:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

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

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

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

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

Deposits and Investments

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

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

Investment Policy

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 58 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. Treasury Obligations of \$396,298 are valued using quoted market prices (Level 1 inputs)
- Negotiable Certificates of Deposit of \$1,385,500 are values using a matrix pricing model (Level 2 inputs)

Property Taxes

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

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

Prepaid Items

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

Interfund Receivables and Payables

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

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

Capital Assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused "paid time off" (PTO) benefits, which upon termination in good standing will be paid the accrued PTO. All PTO is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences.

Long-term Obligations

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

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

Pensions

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City participates in various pension plans, total pension expense for the year ended December 31, 2018 was \$75,411. The components of pension expense are noted in the plan summaries in Note 5 and 6.

Fire Relief Association

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

Deferred Inflows of Resources

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

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

Fund Balance

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

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

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

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

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

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

The budget was amended during 2018. The revised budget increased revenues and other financing sources by \$571,500 and also increased expenditures and other financing uses by \$41,800. The revision called for a net increase in the General fund balance of \$529,500.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Equity

As of December 31, 2018, the following funds reported deficit fund equity:

Fund	Amount
Governmental Funds	
Major capital projects	
TIF 3-6	\$ 629,426
Nonmajor special revenue	
Storm water	69,275
Nonmajor capital projects	
TIF 3-2	98,588
TIF 3-3	220,339
TIF 3-4	510,063
TIF 3-5	194,496
Underpass Project	39,240
Proprietary Funds	
Harbor at Peace	1,670,622

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$5,276,106 and the bank balance was \$5,322,383. The bank balance was covered by federal depository insurance totaling \$500,000 and the remaining amount by collateral held by the City's agent in the City's name.

Investments

As of December 31, 2018, the City had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Cost					
Broker money market fund	N/A	N/A	<u>\$ 25,144</u>		
Non-pooled Investments at Fair Value					
Negotiable Certificates of deposit	N/A	less than 6 months	38,000		\$ 38,000
Negotiable Certificates of deposit	N/A	6 months to 1 year	198,642		198,642
Negotiable Certificates of deposit	N/A	1 to 3 years	663,274		663,274
Negotiable Certificates of deposit	N/A	over 3 years	523,584		523,584
U.S. Treasury Obligations	AAA	N/A	<u>396,298</u>	<u>\$ 396,298</u>	-
Total Non-pooled Investments			<u>1,781,798</u>	<u>396,298</u>	<u>1,385,500</u>
Total Investments			<u>\$1,806,942</u>	<u>\$ 396,298</u>	<u>\$1,385,500</u>

- (1) Ratings are provided by various credit agencies where applicable to indicate associated credit risk.
 (2) Interest rate risk is disclosed using the segmented time distribution method.
 N/A Indicates not applicable or available.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The City's investment policy and Minnesota statutes limit the City's investments to the list are on page 52 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy requires appropriate collateralization of investments.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City's investment policy does however require the City to seek diversification of investments.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy seeks to mitigate the City's exposure to interest rate risk.

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

Carrying Amount of Deposits	\$ 5,276,106
Investments	1,806,942
Cash on Hand	<u>350</u>
Total	<u><u>\$ 7,083,398</u></u>
Government-wide Statements	
Cash and temporary investments	\$ 6,516,806
Restricted cash and temporary investments	396,297
Fiduciary Fund Cash and Temporary Investments	<u>170,295</u>
Total	<u><u>\$ 7,083,398</u></u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 3,117,981	\$ -	\$ -	\$ 3,117,981
Construction in progress	-	51,319		51,319
Total Capital Assets not being Depreciated	<u>3,117,981</u>	<u>51,319</u>	<u>-</u>	<u>3,169,300</u>
Capital Assets being Depreciated				
Buildings and improvements	4,343,920	-	-	4,343,920
Infrastructure	18,984,869	27,074	-	19,011,943
Machinery and equipment	2,775,008	69,084	-	2,844,092
Total Capital Assets being Depreciated	<u>26,103,797</u>	<u>96,158</u>	<u>-</u>	<u>26,199,955</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,135,040)	(128,206)	-	(1,263,246)
Infrastructure	(8,681,826)	(451,838)	-	(9,133,664)
Machinery and equipment	(1,983,962)	(104,997)	-	(2,088,959)
Total Accumulated Depreciation	<u>(11,800,828)</u>	<u>(685,041)</u>	<u>-</u>	<u>(12,485,869)</u>
Total Capital Assets being Depreciated, Net	<u>14,302,969</u>	<u>(588,883)</u>	<u>-</u>	<u>13,714,086</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,420,950</u>	<u>\$ (537,564)</u>	<u>\$ -</u>	<u>\$ 16,883,386</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 239,048	\$ -	\$ -	\$ 239,048
Construction in progress	-	5,141	-	5,141
Total Capital Assets not being Depreciated	239,048	5,141	-	244,189
Capital Assets being Depreciated				
Buildings	11,312,185	16,882	-	11,329,067
Infrastructure	16,883,664	-	-	16,883,664
Machinery and equipment	1,023,661	60,160	-	1,083,821
Total Capital Assets being Depreciated	29,219,510	77,042	-	29,296,552
Less Accumulated Depreciation for				
Buildings	(2,612,410)	(301,135)	-	(2,913,545)
Infrastructure	(7,315,115)	(371,007)	-	(7,686,122)
Machinery and equipment	(658,737)	(68,814)	-	(727,551)
Total Accumulated Depreciation	(10,586,262)	(740,956)	-	(11,327,218)
Total Capital Assets being Depreciated, Net	18,633,248	(663,914)	-	17,969,334
Business-type Activities Capital Assets, Net	<u>\$ 18,872,296</u>	<u>\$ (658,773)</u>	<u>\$ -</u>	<u>\$ 18,213,523</u>

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

Governmental Activities	
General government	\$ 56,853
Public safety	69,665
Public works	401,342
Culture and recreation	93,895
Economic development	63,286
Total Depreciation Expense - Governmental Activities	<u>\$ 685,041</u>
Business-type Activities	
Water	\$ 275,442
Sewer	266,564
Harbor at Peace	198,950
Total Depreciation Expense - Business-type Activities	<u>\$ 740,956</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	Amount
Advance From/To Other Funds		
General	Debt Service	\$ 248,114
Capital fund	TIF 3-6	629,426
Capital fund	Nonmajor governmental fund	<u>1,111,121</u>
 Total Advances From/To Other Funds		 <u><u>\$ 1,988,661</u></u>

The composition of interfund transfers as of December 31, 2018 is as follows:

Fund	Transfer In		Total
	Debt Service	Nonmajor Governmental	
Transfer Out			
Capital	\$ 182,242	\$ 19,722	\$ 201,964
Nonmajor governmental	45,803	-	45,803
Water	59,587	-	59,587
Sewer	<u>155,099</u>	<u>-</u>	<u>155,099</u>
 Total	 <u><u>\$ 442,731</u></u>	 <u><u>\$ 19,722</u></u>	 <u><u>\$ 462,453</u></u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund, as debt service principal and interest payments become due and 2) forgive the remaining balance on an interfund loan from the Capital fund.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. In addition, bonds have been issued to refund related general obligation special assessment and general obligation revenue bonds. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2016A	\$ 1,415,000	2.00 - 3.00 %	07/21/16	02/01/35	<u>\$ 1,415,000</u>

Year Ending December 31,	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2019	\$ -	\$ 36,425	\$ 36,425
2020	-	36,425	36,425
2021	-	36,425	36,425
2022	-	36,425	36,425
2023	-	36,425	36,425
2024 - 2028	315,000	172,675	487,675
2029 - 2033	705,000	112,638	817,638
2034 - 2035	395,000	11,925	406,925
Total	<u>\$ 1,415,000</u>	<u>\$ 479,363</u>	<u>\$ 1,894,363</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2010A	\$ 535,000	1.45 - 3.65 %	08/04/10	02/01/26	\$ 320,000
G.O. Refunding Bonds, Series 2010B	5,560,000	2.00 - 3.63	12/07/10	02/01/27	3,750,000
G.O. Refunding Bonds, Series 2011A	2,770,000	3.00 - 3.75	09/15/11	02/01/32	1,830,000
G.O. Improvement Bonds, Series 2013A	1,920,000	2.00 - 3.25	06/20/13	02/01/31	1,510,000
G.O. Bonds, Series 2013B	1,575,000	2.00 - 3.00	09/12/13	02/01/24	985,000
G.O. Refunding Bonds, Series 2016A	540,000	2.00 - 3.00	07/21/16	02/01/22	435,000
Total G.O. Special Assessment Bonds					<u>\$ 8,830,000</u>

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2019	\$ 965,000	\$ 258,545	\$ 1,223,545
2020	990,000	231,585	1,221,585
2021	1,020,000	203,206	1,223,206
2022	1,060,000	172,944	1,232,944
2023	975,000	142,267	1,117,267
2024 - 2028	3,275,000	299,660	3,574,660
2029 - 2032	545,000	30,568	575,568
Total	<u>\$ 8,830,000</u>	<u>\$ 1,338,775</u>	<u>\$ 10,168,775</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2010A	\$ 185,000	1.45 - 3.65 %	08/04/10	02/01/26	\$ 120,000
G.O. Refunding Bonds, Series 2010B	255,000	2.00 - 3.00	12/07/10	02/01/21	100,000
G.O. Water Revenue Note, Series 2010	1,966,604	2.46	07/21/10	08/20/39	1,550,000
G.O. Water Revenue Bonds, Series 2011A	245,000	3.00 - 3.75	09/15/11	02/01/32	160,000
G.O. Sewer Revenue Bonds, Series 2011A	110,000	3.00 - 3.75	09/15/11	02/01/32	80,000
G.O. Storm Water Revenue Bonds, Series 2011A	125,000	3.00 - 3.75	09/15/11	02/01/32	95,000
G.O. Sewer and Water Revenue Refunding Bonds, 2012A	3,815,000	0.40 - 2.00	03/14/12	02/01/24	2,195,000
G.O. Housing Revenue Bonds, 2012B	3,000,000	2.70 - 3.10	12/04/12	08/01/40	3,000,000
G.O. Bonds, Series 2013B	130,000	2.00 - 3.00	09/12/13	02/01/24	90,000
G.O. Water Revenue Bonds, Series 2016A	1,920,000	2.1905	07/21/16	02/01/29	<u>1,920,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 9,310,000</u></u>

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

Year Ending December 31,	G.O. Revenue Bonds			G.O. Revenue Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 10,000	\$ 4,483	\$ 14,483	\$ 632,000	\$ 214,757	\$ 846,757
2020	10,000	4,178	14,178	649,000	203,217	852,217
2021	10,000	3,866	13,866	670,000	190,587	860,587
2022	10,000	3,549	13,549	652,000	177,583	829,583
2023	10,000	3,231	13,231	673,000	164,200	837,200
2024 - 2028	45,000	11,365	56,365	1,800,000	665,028	2,465,028
2029 - 2033	40,000	3,000	43,000	1,553,000	508,862	2,061,862
2034 - 2038	-	-	-	1,878,000	270,278	2,148,278
2039 - 2040	-	-	-	668,000	28,174	696,174
Total	<u>\$ 135,000</u>	<u>\$ 33,672</u>	<u>\$ 168,672</u>	<u>\$ 9,175,000</u>	<u>\$ 2,422,686</u>	<u>\$ 11,597,686</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Revenue Bonds

The following bonds were issued to finance construction of Senior Housing Apartments and will be repaid from rental revenues generated from the system. They are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Bonds, 2012A	\$ 3,090,000	1.00 - 4.30 %	12/04/12	08/01/30	<u>\$ 2,255,000</u>

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

Year Ending December 31,	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2018	\$ 160,000	\$ 84,695	\$ 244,695
2019	165,000	80,615	245,615
2020	170,000	75,830	245,830
2021	175,000	70,390	245,390
2022	180,000	64,265	244,265
2023 - 2027	1,020,000	210,355	1,230,355
2028 - 2030	<u>385,000</u>	<u>23,105</u>	<u>408,105</u>
Total	<u>\$ 2,255,000</u>	<u>\$ 609,255</u>	<u>\$ 2,864,255</u>

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

	Water	Sewer	Harbor at Peace
Revenues	\$ 815,753	\$ 756,342	\$ 1,573,749
Principal and Interest	512,406	254,028	340,945
Percent of Revenues	63 %	34 %	22 %

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 1,415,000	\$ -	\$ -	\$ 1,415,000	\$ -
G.O. special assessment bonds	9,775,000	-	(945,000)	8,830,000	965,000
G.O. revenue bonds	145,000	-	(10,000)	135,000	10,000
Unamortized premium on bonds	155,770	-	(23,204)	132,566	-
Total Bonds Payable	11,490,770	-	(978,204)	10,512,566	975,000
Pension Liability					
GERF	360,231	12,267	(36,508)	335,990	-
Compensated Absences Payable	25,968	22,908	(20,839)	28,037	28,037
Governmental Activity Long-term Liabilities	<u>\$ 11,876,969</u>	<u>\$ 35,175</u>	<u>\$ (1,035,551)</u>	<u>\$ 10,876,593</u>	<u>\$ 1,003,037</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 11,641,000	\$ -	\$ (2,466,000)	\$ 9,175,000	\$ 632,000
Revenue bonds	2,415,000	-	(160,000)	2,255,000	160,000
Unamortized Premium on Bonds	3,989	-	(1,300)	2,689	-
Discount on Bonds	(45,850)	-	6,088	(39,762)	-
Total Bonds Payable	14,014,139	-	(2,621,212)	11,392,927	792,000
Pension Liability					
GERF	188,792	10	(31,055)	157,747	-
Compensated Absences Payable	38,232	19,651	(11,046)	46,837	46,837
Business-type Activity Long-term Liabilities	<u>\$ 14,241,163</u>	<u>\$ 19,661</u>	<u>\$ (2,663,313)</u>	<u>\$ 11,597,511</u>	<u>\$ 838,837</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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.

GERF Benefits

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 and Basic Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contributions

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

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$45,744, \$42,641 and \$43,633, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

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

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$493,737 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. 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 \$16,210. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0089 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 493,737
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>16,210</u>
	<u><u>\$ 509,947</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$29,025 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$16,210 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2018, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 13,037	\$ 16,518
Changes in Actuarial Assumptions	47,477	55,477
Net Difference Between Projected and Actual Earnings on Plan Investments	-	47,525
Changes in Proportion	15,873	12,196
Contributions to GERF Subsequent to the Measurement Date	<u>22,708</u>	<u>-</u>
Total	<u><u>\$ 99,095</u></u>	<u><u>\$ 131,716</u></u>

Deferred outflows of resources totaling \$22,708 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ 16,416
2019	(27,553)
2020	(33,884)
2021	(10,308)

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERP plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERP

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5. 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 GERF 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.

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 802,383	\$ 493,737	\$ 238,955

H. Pension Plan Fiduciary Net Position

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

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

A. Plan Description

The Norwood Young America Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2018, the plan covered 29 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g.

B. Benefits Provided

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

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$28,378 in fire state aid to the plan on behalf of the Norwood Young America Fire Department for the year ended December 31, 2018, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2018 were \$0. The City's contributions were equal to the required contributions as set by Minnesota statute. The City made no voluntary contributions to the plan.

City of Norwood Young America, Minnesota

Notes to the Financial Statements

December 31, 2018

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

D. Investment Policy

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

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

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

E. Pension Cost

At December 31, 2018, the City reported a net pension asset of \$64,595 for the SVF plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department as of December 31, 2018. The following table presents the changes in net pension liability (asset) during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/17	\$ 704,924	\$ 801,120	\$ (96,196)
Changes for the Year			
Service cost	29,973	-	29,973
Interest on pension liability	41,415	-	41,415
Actuarial experience (gains)/losses	(81,092)	-	(81,092)
Projected investment earnings	-	48,067	(48,067)
Changes in benefit level	175,282	-	175,282
Contributions (state)	-	3,244	(3,244)
Difference between Projected and actual investment earnings	-	31,048	(31,048)
Asset (gain)/loss	-	(76,509)	76,509
Benefit payouts	(89,265)	(89,264)	(1)
PERA administrative fee	-	(1,064)	1,064
Net Changes	76,313	(84,478)	160,791
Ending Balance 12/31/18	\$ 781,237	\$ 716,642	\$ 64,595

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

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

For the year ended December 31, 2018, the City recognized pension expense of \$104,435 .

At December 31, 2018, the City reported deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 64,874
Net Difference Between Projected and Actual Earnings on Plan Investments	<u>61,207</u>	<u>-</u>
Total	<u><u>\$ 61,207</u></u>	<u><u>\$ 64,874</u></u>
2019		\$ (916)
2020		(916)
2021		(916)
2022		(919)

F. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2017.

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.00 %	5.10 %
International Stocks	15.00	6.00
Bonds	45.00	1.45
Cash	5.00	0.50
Total	<u>100.00 %</u>	

G. Discount Rate

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

The SBI made no significant changes to their investment policy during fiscal year 2018 for the Volunteer Firefighter Fund.

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPA		
	1 Percent Decrease (5.0%)	Current (6.0%)	1 Percent Increase (7.0%)
Net Pension Liability (Asset)	\$ 88,466	\$ 64,595	\$ 42,118

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2018, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

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

C. Tax Increment Districts

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

Note 7: Joint Ventures

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

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

City of Norwood Young America, Minnesota

Required Supplementary Information
For the Year Ended December 31, 2018

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0089 %	\$ 493,737	\$ 16,210	\$ 509,947	\$ 551,281	89.6 %	79.5 %
06/30/17	0.0086	549,018	6,817	555,835	582,865	94.2	75.9
06/30/16	0.0090	730,758	9,526	740,284	582,865	125.4	68.9
06/30/15	0.0089	461,244	-	461,244	521,449	88.45	78.2

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

Schedule of Employer's the PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 45,744	\$ 45,744	\$ -	\$ 609,920	7.5 %
12/31/17	42,641	42,641	-	568,543	7.5
12/31/16	43,633	43,633	-	581,773	7.5
12/31/15	38,496	38,496	-	513,280	7.5

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

Changes in Plan Provisions

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 29,973	\$ 25,358	\$ 25,321	\$ 27,263
Interest on pension liability (asset)	41,415	42,761	40,204	38,912
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(81,092)	(15,500)	(17,276)	(21,792)
Changes of assumptions	175,282	29,366	-	-
Benefit payments	(89,265)	(70,063)	-	(41,800)
Net Change in Total Pension Liability	<u>76,313</u>	<u>11,922</u>	<u>48,249</u>	<u>2,583</u>
Total Pension Liability - January 1	<u>704,924</u>	<u>693,002</u>	<u>644,753</u>	<u>642,170</u>
Total Pension Liability - December 31 (a)	<u><u>\$ 781,237</u></u>	<u><u>\$ 704,924</u></u>	<u><u>\$ 693,002</u></u>	<u><u>\$ 644,753</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 3,244	\$ -	\$ 22,158	\$ -
Nonemployer contributions	31,048	28,378	29,400	28,912
Projected investment return	48,067	95,132	47,203	1,921
Gain (loss)	(76,509)	-	-	-
Benefit payments	(89,264)	(70,063)	-	(41,800)
Administrative expenses	(1,064)	(1,125)	(1,191)	(1,041)
Net Change in Plan Fiduciary Net Position	<u>(84,478)</u>	<u>52,322</u>	<u>97,570</u>	<u>(12,008)</u>
Plan Fiduciary Net Position - January 1	<u>801,120</u>	<u>748,798</u>	<u>651,228</u>	<u>663,236</u>
Plan Fiduciary Net Position - December 31 (b)	<u><u>\$ 716,642</u></u>	<u><u>\$ 801,120</u></u>	<u><u>\$ 748,798</u></u>	<u><u>\$ 651,228</u></u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a)	<u><u>\$ 64,595</u></u>	<u><u>\$ (96,196)</u></u>	<u><u>\$ (55,796)</u></u>	<u><u>\$ (6,475)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	91.73%	113.65%	108.05%	101.00%
Covered-employee Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Schedule of Employer's Contributions - Statewide Volunteer Firefighters Fund

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 29,048	\$ 29,048	\$ -
12/31/17	28,378	28,378	-
12/31/16	51,558	51,558	-
12/31/15	27,912	27,912	-
12/31/14	38,044	38,044	-

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

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

City of Norwood Young America, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ (18,044)	\$ 238,587	\$ 220,543
Receivables			
Accounts	6,475	-	6,475
Loans	-	2,449	2,449
Special assessments	102	-	102
Due from other governments	-	70,786	70,786
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ (11,467)</u>	<u>\$ 311,822</u>	<u>\$ 300,355</u>
Liabilities			
Accounts and other payables	\$ 137	\$ 2,125	\$ 2,262
Salaries and compensated absences payable	1,040	-	1,040
Advances from other funds	-	1,111,121	1,111,121
Total Liabilities	<u>1,177</u>	<u>1,113,246</u>	<u>1,114,423</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	102	-	102
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted for			
Park dedication	56,529	-	56,529
Economic development	-	24,253	24,253
2013 infrastructure	-	51,939	51,939
Assigned for			
Capital outlay	-	185,110	185,110
Unassigned	(69,275)	(1,062,726)	(1,132,001)
Total Fund Balances	<u>(12,746)</u>	<u>(801,424)</u>	<u>(814,170)</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ (11,467)</u>	<u>\$ 311,822</u>	<u>\$ 300,355</u>

City of Norwood Young America, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total
Revenues			
Tax increments	\$ -	\$ 237,908	\$ 237,908
Intergovernmental	-	88,651	88,651
Charges for services	109,753	-	109,753
Interest on investments	-	213	213
Miscellaneous	934	44,935	45,869
Total Revenues	<u>110,687</u>	<u>371,707</u>	<u>482,394</u>
Expenditures			
Current			
Public works	21,809	-	21,809
Economic development	-	32,313	32,313
Capital outlay			
Public works	-	127,731	127,731
Culture and recreation	15,563	-	15,563
Debt service			
Interest and other	-	48,305	48,305
Total Expenditures	<u>37,372</u>	<u>208,349</u>	<u>245,721</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73,315</u>	<u>163,358</u>	<u>236,673</u>
Other Financing Sources (Uses)			
Transfers in	-	19,722	19,722
Transfers out	(45,803)	-	(45,803)
Total Other Financing Sources (Uses)	<u>(45,803)</u>	<u>19,722</u>	<u>(26,081)</u>
Net Changes in Fund Balances	27,512	183,080	210,592
Fund Balances, January 1	<u>(40,258)</u>	<u>(984,504)</u>	<u>(1,024,762)</u>
Fund Balances, December 31	<u>\$ (12,746)</u>	<u>\$ (801,424)</u>	<u>\$ (814,170)</u>

City of Norwood Young America, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	201 Park Dedication	603 Storm Water	Total
Assets			
Cash and temporary investments	\$ 56,529	\$ (74,573)	\$ (18,044)
Receivable			
Accounts	-	6,475	6,475
Special assessments	-	102	102
	<u>56,529</u>	<u>(74,573)</u>	<u>(18,044)</u>
Total Assets	<u><u>\$ 56,529</u></u>	<u><u>\$ (67,996)</u></u>	<u><u>\$ (11,467)</u></u>
Liabilities			
Accounts and other payables	\$ -	\$ 137	\$ 137
Accrued salaries and wages payable	-	1,040	1,040
Total Liabilities	<u>-</u>	<u>1,177</u>	<u>1,177</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>102</u>	<u>102</u>
Fund Balances			
Restricted for			
Park dedication	56,529	-	56,529
Unassigned	-	(69,275)	(69,275)
Total Fund Balances	<u>56,529</u>	<u>(69,275)</u>	<u>(12,746)</u>
	<u>56,529</u>	<u>(69,275)</u>	<u>(12,746)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 56,529</u></u>	<u><u>\$ (67,996)</u></u>	<u><u>\$ (11,467)</u></u>

City of Norwood Young America, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	201 Park Dedication	603 Storm Water	Total
Revenues			
Charges for services	\$ -	\$ 109,753	\$ 109,753
Miscellaneous	-	934	934
Total Revenues	<u>-</u>	<u>110,687</u>	<u>110,687</u>
Expenditures			
Current			
Public works	-	21,809	21,809
Capital outlay			
Culture and recreation	15,563	-	15,563
Total Expenditures	<u>15,563</u>	<u>21,809</u>	<u>37,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,563)	88,878	73,315
Other Financing Uses			
Transfers out	<u>-</u>	<u>(45,803)</u>	<u>(45,803)</u>
Net Change in Fund Balances	(15,563)	43,075	27,512
Fund Balances, January 1	<u>72,092</u>	<u>(112,350)</u>	<u>(40,258)</u>
Fund Balances, December 31	<u>\$ 56,529</u>	<u>\$ (69,275)</u>	<u>\$ (12,746)</u>

City of Norwood Young America, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2018

	320	407	420	421	422	423
	2013 Infrastructure	TIF 1-5	TIF 2-1	TIF 3-1	TIF 3-2	TIF 3-3
Assets						
Cash and temporary investments	\$ 51,939	\$ 24,253	\$ -	\$ -	\$ 6,084	\$ -
Receivables						
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total Assets	\$ 51,939	\$ 24,253	\$ -	\$ -	\$ 6,084	\$ -
Liabilities						
Accounts and other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances from other funds	-	-	-	-	104,672	220,339
Total Liabilities	-	-	-	-	104,672	220,339
Fund Balances						
Restricted for						
Economic development	-	24,253	-	-	-	-
2013 infrastructure	51,939	-	-	-	-	-
Assigned for						
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	(98,588)	(220,339)
Total Fund Balances	51,939	24,253	-	-	(98,588)	(220,339)
Total Liabilities and Fund Balances	\$ 51,939	\$ 24,253	\$ -	\$ -	\$ 6,084	\$ -

424	425	257	225	522	614	
TIF 3-4	TIF 3-5	Oak Grove	Economic Recovery	Underpass Project	Cable TV Upgrades	Total
\$ 59,091	\$ 22,460	\$ 90	\$ 140,636	\$ (107,901)	\$ 41,935	\$ 238,587
-	-	-	2,449	-	-	2,449
-	-	-	-	70,786	-	70,786
<u>\$ 59,091</u>	<u>\$ 22,460</u>	<u>\$ 90</u>	<u>\$ 143,085</u>	<u>\$ (37,115)</u>	<u>\$ 41,935</u>	<u>\$ 311,822</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,125	\$ -	\$ 2,125
569,154	216,956	-	-	-	-	1,111,121
<u>569,154</u>	<u>216,956</u>	<u>-</u>	<u>-</u>	<u>2,125</u>	<u>-</u>	<u>1,113,246</u>
-	-	-	-	-	-	24,253
-	-	-	-	-	-	51,939
-	-	90	143,085	-	41,935	185,110
(510,063)	(194,496)	-	-	(39,240)	-	(1,062,726)
<u>(510,063)</u>	<u>(194,496)</u>	<u>90</u>	<u>143,085</u>	<u>(39,240)</u>	<u>41,935</u>	<u>(801,424)</u>
<u>\$ 59,091</u>	<u>\$ 22,460</u>	<u>\$ 90</u>	<u>\$ 143,085</u>	<u>\$ (37,115)</u>	<u>\$ 41,935</u>	<u>\$ 311,822</u>

City of Norwood Young America, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenue, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2018

	320	407	420	421	422	423
	2013 Infrastructure	TIF 1-5	TIF 2-1	TIF 3-1	TIF 3-2	TIF 3-3
Revenues						
Tax increments	\$ -	\$ 52,297	\$ -	\$ -	\$ 15,966	\$ 826
Intergovernmental	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>52,297</u>	<u>-</u>	<u>-</u>	<u>15,966</u>	<u>826</u>
Expenditures						
Current						
Economic development	-	25,654	4,869	566	316	276
Capital outlay						
Public works	-	-	-	-	-	-
Debt service						
Interest and other charges	-	-	-	1,241	4,505	7,495
Total Expenditures	<u>-</u>	<u>25,654</u>	<u>4,869</u>	<u>1,807</u>	<u>4,821</u>	<u>7,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	26,643	(4,869)	(1,807)	11,145	(6,945)
Other Financing Sources						
Transfers in	-	-	-	19,722	-	-
Net Change in Fund Balances	-	26,643	(4,869)	17,915	11,145	(6,945)
Fund Balances, January 1	<u>51,939</u>	<u>(2,390)</u>	<u>4,869</u>	<u>(17,915)</u>	<u>(109,733)</u>	<u>(213,394)</u>
Fund Balances, December 31	<u>\$ 51,939</u>	<u>\$ 24,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (98,588)</u>	<u>\$ (220,339)</u>

424	425	257	225	522	614	
TIF 3-4	TIF 3-5	Oak Grove	Economic Recovery	Underpass Project	Cable TV Upgrades	Total
\$ 120,725	\$ 48,094	\$ -	\$ -	\$ -	\$ -	\$ 237,908
-	-	-	-	88,651	-	88,651
-	-	-	213	-	-	213
-	-	-	3,000	-	41,935	44,935
120,725	48,094	-	3,213	88,651	41,935	371,707
316	316	-	-	-	-	32,313
-	-	-	-	127,731	-	127,731
25,275	9,789	-	-	-	-	48,305
25,591	10,105	-	-	127,731	-	208,349
95,134	37,989	-	3,213	(39,080)	41,935	163,358
-	-	-	-	-	-	19,722
95,134	37,989	-	3,213	(39,080)	41,935	183,080
(605,197)	(232,485)	90	139,872	(160)	-	(984,504)
\$ (510,063)	\$ (194,496)	\$ 90	\$ 143,085	\$ (39,240)	\$ 41,935	\$ (801,424)

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 1,351,588	\$ 1,376,588	\$ 1,383,174	\$ 6,586	\$ 1,154,048
Licenses and permits					
Business	11,800	11,800	20,128	8,328	12,518
Nonbusiness	104,100	180,800	175,594	(5,206)	122,968
Total licenses and permits	115,900	192,600	195,722	3,122	135,486
Intergovernmental					
State					
Market value credit	200	200	271	71	240
Local government aid	325,000	400,000	400,418	418	370,868
Other	7,087	7,087	2,087	(5,000)	10,789
County					
Recycling	-	-	9,314	9,314	13,000
Highway aid	8,000	8,000	5,903	(2,097)	18,919
Other	16,000	16,000	15,299	(701)	16,084
Local					
Other	-	-	-	-	16,000
Total intergovernmental	356,287	431,287	433,292	2,005	445,900
Charges for services					
General government	16,700	16,700	19,038	2,338	19,601
Public safety	75,500	75,500	79,568	4,068	79,664
Culture and recreation	76,300	76,300	72,842	(3,458)	71,648
Other	60	60	-	(60)	1,594
Total charges for services	168,560	168,560	171,448	2,888	172,507
Fines and forfeitures	10,000	10,000	9,270	(730)	11,451
Special assessments	400	400	1,464	1,064	3,990
Interest on investments	1,500	18,000	33,612	15,612	8,989
Miscellaneous					
Contributions and donations	12,100	12,100	874	(11,226)	-
Refunds and reimbursements	17,700	34,700	35,069	369	16,575
Other	18,600	26,400	55,164	28,764	20,296
Total miscellaneous	48,400	73,200	91,107	17,907	36,871
Total Revenues	2,052,635	2,270,635	2,319,089	48,454	1,969,242

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personal services	\$ 14,310	\$ 14,310	\$ 14,300	\$ 10	\$ 14,312
Supplies	800	800	-	800	340
Other services and charges	4,300	4,300	5,142	(842)	2,914
Total mayor and city council	19,410	19,410	19,442	(32)	17,566
City administrator/administration					
Personal services	101,900	101,900	98,995	2,905	90,956
Other services and charges	3,500	3,500	1,695	1,805	2,645
Total city administrator/administration	105,400	105,400	100,690	4,710	93,601
Community development director					
Personal services	56,300	50,700	48,219	2,481	49,514
Other services and charges	70,300	67,300	56,163	11,137	35,097
Total community development director	126,600	118,000	104,382	13,618	84,611
Board and commissions					
Other services and charges	4,800	4,800	2,772	2,028	3,302
City clerk-treasurer					
Personal services	104,200	104,200	101,472	2,728	95,467
Supplies	6,500	6,500	7,613	(1,113)	6,124
Other services and charges	38,700	38,700	43,596	(4,896)	41,144
Total city clerk-treasurer	149,400	149,400	152,681	(3,281)	142,735
Election					
Other services and charges	4,900	4,900	4,539	361	1,260
Total	4,900	4,900	4,539	361	1,260
Auditing and accounting					
Other services and charges	34,300	34,300	35,315	(1,015)	37,000
Assessing					
Other services and charges	22,200	22,200	22,821	(621)	21,961

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017	
	Budgeted Amounts		Actual	Actual	
	Original	Final	Amounts	Amounts	
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Legal services					
Other services and charges	\$ 33,700	\$ 30,700	\$ 31,701	\$ (1,001)	\$ 30,908
Professional services - miscellaneous					
Other services and charges	8,500	8,500	4,025	4,475	8,138
General government buildings					
Personal services	17,300	17,300	12,041	5,259	12,853
Supplies	46,500	64,500	57,757	6,743	48,007
Other services and charges	39,000	32,500	35,608	(3,108)	81,402
Total general government buildings	102,800	114,300	105,406	8,894	142,262
Total general government	612,010	611,910	583,774	28,136	583,344
Public safety					
Police					
Contracted services	197,750	197,750	191,165	6,585	191,201
Fire					
Personal services	82,100	82,100	105,000	(22,900)	76,157
Supplies	56,800	56,800	75,870	(19,070)	61,521
Other services and charges	38,200	32,200	32,492	(292)	31,150
Total fire	177,100	171,100	213,362	(42,262)	168,828
Building inspection					
Other services and charges	50,900	70,900	65,976	4,924	29,594
Civil defense					
Other services and charges	200	200	160	40	154
Animal control					
Other services and charges	1,200	1,200	1,007	193	763
Total public safety	427,150	441,150	471,670	(30,520)	390,540

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
General					
Personal services	\$ 239,700	\$ 213,200	\$ 213,188	\$ 12	\$ 192,568
Supplies	135,000	148,000	147,729	271	128,670
Other services and charges	188,600	189,200	214,775	(25,575)	189,431
Total general	563,300	550,400	575,692	(25,292)	510,669
Engineering					
Other services and charges	18,000	18,000	14,615	3,385	13,204
Total public works	581,300	568,400	590,307	(21,907)	523,873
Culture and recreation					
Parks					
Personal services	115,000	121,300	124,104	(2,804)	112,898
Supplies	53,500	37,500	32,232	5,268	42,145
Other services and charges	64,100	71,100	64,906	6,194	57,930
Total parks	232,600	229,900	221,242	8,658	212,973
Library					
Other services and charges	13,700	13,700	13,135	565	10,579
Swimming pool					
Personal services	35,500	35,500	32,688	2,812	30,180
Supplies	37,000	52,000	41,902	10,098	17,333
Other services and charges	11,350	11,350	9,894	1,456	10,550
Total swimming pool	83,850	98,850	84,484	14,366	58,063
Bus services					
Personal services	16,100	11,100	10,672	428	3,629
Supplies	6,500	6,500	2,560	3,940	198
Other services and charges	-	-	3,084	(3,084)	-
Total bus services	22,600	17,600	16,316	1,284	3,827
Total culture and recreation	352,750	360,050	335,177	24,873	285,442
Economic development					
Personal services	12,700	12,700	12,512	188	11,817
Supplies	2,000	2,000	4,878	(2,878)	2,002
Other services and charges	24,925	36,425	35,240	1,185	30,451
Total economic development	39,625	51,125	52,630	(1,505)	44,270
Total current	2,012,835	2,032,635	2,033,558	(923)	1,827,469

City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
Public safety	\$ 5,000	\$ 5,000	\$ 151	\$ 4,849	\$ 24,219
Public works	10,000	27,000	27,074	(74)	-
Culture and recreation	27,000	27,000	27,189	(189)	23,973
Economic development	50,000	55,000	44,266	10,734	-
Total capital outlay	92,000	114,000	98,680	15,320	48,192
Total Expenditures	2,104,835	2,146,635	2,132,238	14,397	1,875,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,200)	124,000	186,851	62,851	93,581
Other Financing Sources (Uses)					
Sale of capital assets	500	413,000	5,050	(407,950)	-
Transfers in	100,000	41,000	-	(41,000)	100,000
Transfers out	(48,500)	(48,500)	-	48,500	(5,596)
Total Other Financing Sources (Uses)	52,000	405,500	5,050	(400,450)	94,404
Net Change in Fund Balances	(200)	529,500	191,901	(337,599)	187,985
Fund Balances, January 1	1,665,623	1,665,623	1,665,623	-	1,477,638
Fund Balances, December 31	\$ 1,665,423	\$ 2,195,123	\$ 1,857,524	\$ (337,599)	\$ 1,665,623

City of Norwood Young America, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2018

	501 2010 Infrastructure Debt Service	517 Oak Grove Debt Service	518 2010B G.O. Refunding Debt Service
Assets			
Cash and temporary investments	\$ 59,311	\$ 276,355	\$ 999,829
Receivables			
Delinquent taxes	-	-	92
Special assessments	49,652	-	58,903
Total Assets	<u><u>\$ 108,963</u></u>	<u><u>\$ 276,355</u></u>	<u><u>\$ 1,058,824</u></u>
Liabilities			
Deposits payable	\$ -	\$ -	\$ 4,000
Advances from other funds	-	-	248,114
Total Liabilities	-	-	252,114
Deferred Inflows of Resources			
Unavailable revenue - special assessments	49,652	-	58,903
Fund Balances			
Restricted for			
Debt service	59,311	276,355	747,807
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 108,963</u></u>	<u><u>\$ 276,355</u></u>	<u><u>\$ 1,058,824</u></u>

519 2011A G.O. Refunding Debt Service	520 2013B Infrastructure Debt Service	521 2016A G.O. Refunding Debt Service	Total
\$ 334,226	\$ 137,505	\$ 142,459	\$ 1,949,685
-	-	-	92
<u>135,946</u>	<u>118,080</u>	<u>46,618</u>	<u>409,199</u>
<u><u>\$ 470,172</u></u>	<u><u>\$ 255,585</u></u>	<u><u>\$ 189,077</u></u>	<u><u>\$ 2,358,976</u></u>

\$ -	\$ -	\$ -	\$ 4,000
-	-	-	248,114
-	-	-	<u>252,114</u>

135,946	117,981	46,618	409,100
<u>334,226</u>	<u>137,604</u>	<u>142,459</u>	<u>1,697,762</u>
<u><u>\$ 470,172</u></u>	<u><u>\$ 255,585</u></u>	<u><u>\$ 189,077</u></u>	<u><u>\$ 2,358,976</u></u>

City of Norwood Young America, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	501 2010 Infrastructure Debt Service	517 Oak Grove Debt Service	518 2010B G.O. Refunding Debt Service
Revenues			
Property taxes	\$ 32,327	\$ 150,518	\$ 291,196
Special assessments	8,383	-	19,443
Interest on investments	-	-	-
Total Revenues	<u>40,710</u>	<u>150,518</u>	<u>310,639</u>
Expenditures			
Debt service			
Principal	40,000	95,000	385,000
Interest and other	13,480	44,750	129,081
Total Expenditures	<u>53,480</u>	<u>139,750</u>	<u>514,081</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,770)</u>	<u>10,768</u>	<u>(203,442)</u>
Other Financing Sources			
Proceeds from sale of capital assets	-	-	408,597
Transfers in	6,759	-	302,408
Total Other Financing Sources	<u>6,759</u>	<u>-</u>	<u>711,005</u>
Net Change in Fund Balances	(6,011)	10,768	507,563
Fund Balances, January 1	<u>65,322</u>	<u>265,587</u>	<u>240,244</u>
Fund Balances, December 31	<u><u>\$ 59,311</u></u>	<u><u>\$ 276,355</u></u>	<u><u>\$ 747,807</u></u>

519 2011A G.O. Refunding Debt Service	520 2013B Infrastructure Debt Service	521 2016A G.O. Refunding Debt Service	Total
\$ 93,654	\$ 169,816	\$ 146,167	\$ 883,678
25,809	27,595	11,023	92,253
-	579	-	579
<u>119,463</u>	<u>197,990</u>	<u>157,190</u>	<u>976,510</u>
175,000	155,000	105,000	955,000
63,331	30,026	46,625	327,293
<u>238,331</u>	<u>185,026</u>	<u>151,625</u>	<u>1,282,293</u>
(118,868)	12,964	5,565	(305,783)
-	-	-	408,597
121,071	-	12,493	442,731
<u>121,071</u>	<u>-</u>	<u>12,493</u>	<u>851,328</u>
2,203	12,964	18,058	545,545
<u>332,023</u>	<u>124,640</u>	<u>124,401</u>	<u>1,152,217</u>
<u>\$ 334,226</u>	<u>\$ 137,604</u>	<u>\$ 142,459</u>	<u>\$ 1,697,762</u>

City of Norwood Young America, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2018

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 2,681,360	\$ 2,348,318	14.18 %
Special assessments	93,717	99,661	(5.96)
Licenses and permits	195,722	135,486	44.46
Intergovernmental	549,315	506,795	8.39
Charges for services	283,737	376,345	(24.61)
Fines and forfeitures	9,270	11,451	(19.05)
Interest on investments	82,709	60,554	36.59
Miscellaneous	136,976	56,140	143.99
Total Revenues	<u>\$ 4,032,806</u>	<u>\$ 3,594,750</u>	12.19 %
Per Capita	<u>\$ 1,056</u>	<u>\$ 950</u>	11.13 %
Expenditures			
Current			
General government	\$ 583,774	\$ 583,344	0.07 %
Public safety	471,670	390,540	20.77
Public works	612,116	556,294	10.03
Culture and recreation	335,177	285,442	17.42
Economic development	84,943	76,435	11.13
Capital outlay			
Public safety	27,436	148,865	(81.57)
Public works	200,246	160	125,053.75
Culture and recreation	52,752	202,905	(74.00)
Economic development	673,692	-	N/A
Debt service			
Principal	955,000	1,615,000	(40.87)
Interest and other charges	375,598	417,964	(10.14)
Total Expenditures	<u>\$ 4,372,404</u>	<u>\$ 4,276,949</u>	2.23 %
Per Capita	<u>\$ 1,145</u>	<u>\$ 1,131</u>	1.27 %
Total Long-term Indebtedness	\$ 10,380,000	\$ 11,335,000	(8.43) %
Per Capita	2,719	2,997	(9.29)
General Fund Balance - December 31	\$ 1,857,524	\$ 1,665,623	11.52 %
Per Capita	487	440	10.47

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

OTHER REQUIRED REPORTS

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Draft

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Draft



INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 28, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as finding 2018-001 and 2018-002 to be significant deficiencies.

Compliance and Other Matters

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

The City's Responses to the Findings

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

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 28, 2019

Draft

City of Norwood Young America, Minnesota

Schedule of Findings and Responses
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
2018-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over and the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from Banyon to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Norwood Young America, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
2018-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit we reviewed procedures over payroll and found the City to have limited segregation of duties over the payroll transaction cycle.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, the City Clerk/Treasurer has control over the major functions of the payroll cycle. The Clerk/Treasurer prepares the payroll checks, has the ability to edit the payroll file and employee information and authorize electronic payroll disbursements.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff may not be large enough to eliminate this deficiency, we recommend the City evaluate the current procedures and implement any compensating controls. Compensating controls to alleviate the risk of fraud would include a documented review of bi-weekly payroll registers by the City Administrator. The review should include a comparison of timecards to the payroll register and employee wage rates compared to the approved pay scale.
<i>Management Response:</i>	
Management plans to review procedures and work with the auditors to develop procedures to reduce the risk related to the finding.	