



Annual Financial Report

City of Norwood Young America

Norwood Young America, Minnesota

For the years ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Norwood Young America, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

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

APPOINTED

Andrea Aukrust	Administrator
Angela Brambaugh	Clerk-Treasurer

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FINANCIAL SECTION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison schedule for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Norwood Young America and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Norwood Young America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Norwood Young America's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Shares of the Net Pension Liability, the related note disclosures, the Schedules of Employer's Contributions, and the Schedule of Changes in Net Pension Liability (Asset) and related ratios starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Minneapolis, Minnesota
July 7, 2023



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Management's Discussion and Analysis

As management of the City of Norwood Young America, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was due to land sale proceeds related to the industrial park along with the issuance of special assessments.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to the sale of land and the issuance of debt, of which a portion was unspent as of year end.
- The unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt increased during the fiscal year. The increase was a result of the 2022A General Obligation Improvement bonds.

Overview of the Financial Statements

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

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

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

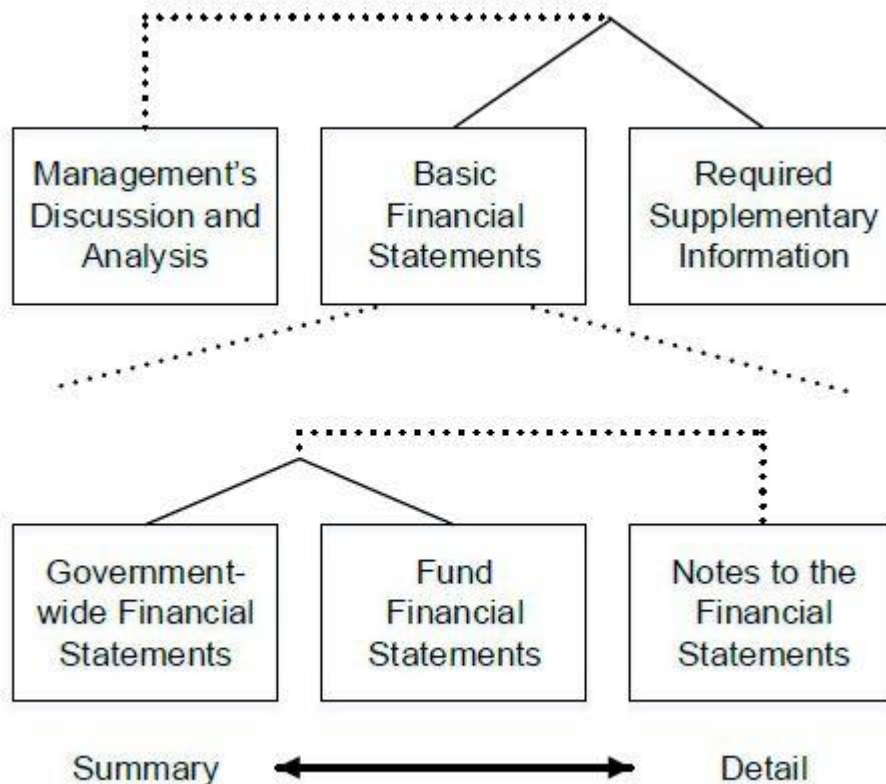


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	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, and sewer.

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

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

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

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

The City maintains several individual governmental funds, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Capital fund, and 2nd Avenue Improvements fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

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

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

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

The basic proprietary fund financial statements start on page 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Norwood Young America's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 74 of this report.

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

Government-wide Financial Analysis

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

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

City of Norwood Young America's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 8,325,024	\$ 6,534,816	\$ 1,790,208	\$ 2,872,156	\$ 2,785,358	\$ 86,798
Capital assets	18,629,673	17,912,311	717,362	17,410,760	17,437,861	(27,101)
Total Assets	<u>26,954,697</u>	<u>24,447,127</u>	<u>2,507,570</u>	<u>20,282,916</u>	<u>20,223,219</u>	<u>59,697</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>255,645</u>	<u>207,846</u>	<u>47,799</u>	<u>62,432</u>	<u>85,234</u>	<u>(22,802)</u>
Liabilities						
Noncurrent liabilities outstanding	9,954,389	8,666,164	1,288,225	9,908,012	9,848,652	59,360
Other liabilities	<u>764,921</u>	<u>853,606</u>	<u>(88,685)</u>	<u>241,503</u>	<u>277,135</u>	<u>(35,632)</u>
Total Liabilities	<u>10,719,310</u>	<u>9,519,770</u>	<u>1,199,540</u>	<u>10,149,515</u>	<u>10,125,787</u>	<u>23,728</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>9,897</u>	<u>363,237</u>	<u>(353,340)</u>	<u>3,751</u>	<u>109,578</u>	<u>(105,827)</u>
Net Position						
Invested in capital assets, net of related debt	9,900,994	9,733,337	167,657	7,973,776	7,726,458	247,318
Restricted	2,674,463	1,891,143	783,320	-	-	-
Unrestricted	<u>3,905,678</u>	<u>3,147,486</u>	<u>758,192</u>	<u>2,218,306</u>	<u>2,346,630</u>	<u>(128,324)</u>
Total Net Position	<u>\$ 16,481,135</u>	<u>\$ 14,771,966</u>	<u>\$ 1,709,169</u>	<u>\$ 10,192,082</u>	<u>\$ 10,073,088</u>	<u>\$ 118,994</u>
Net Position as a Percent of Total						
Net investment in capital assets	60.1 %	65.9 %		78.2 %	76.7 %	
Restricted	16.2	12.8		-	-	
Unrestricted	<u>23.7</u>	<u>21.3</u>		<u>21.8</u>	<u>23.3</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

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

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

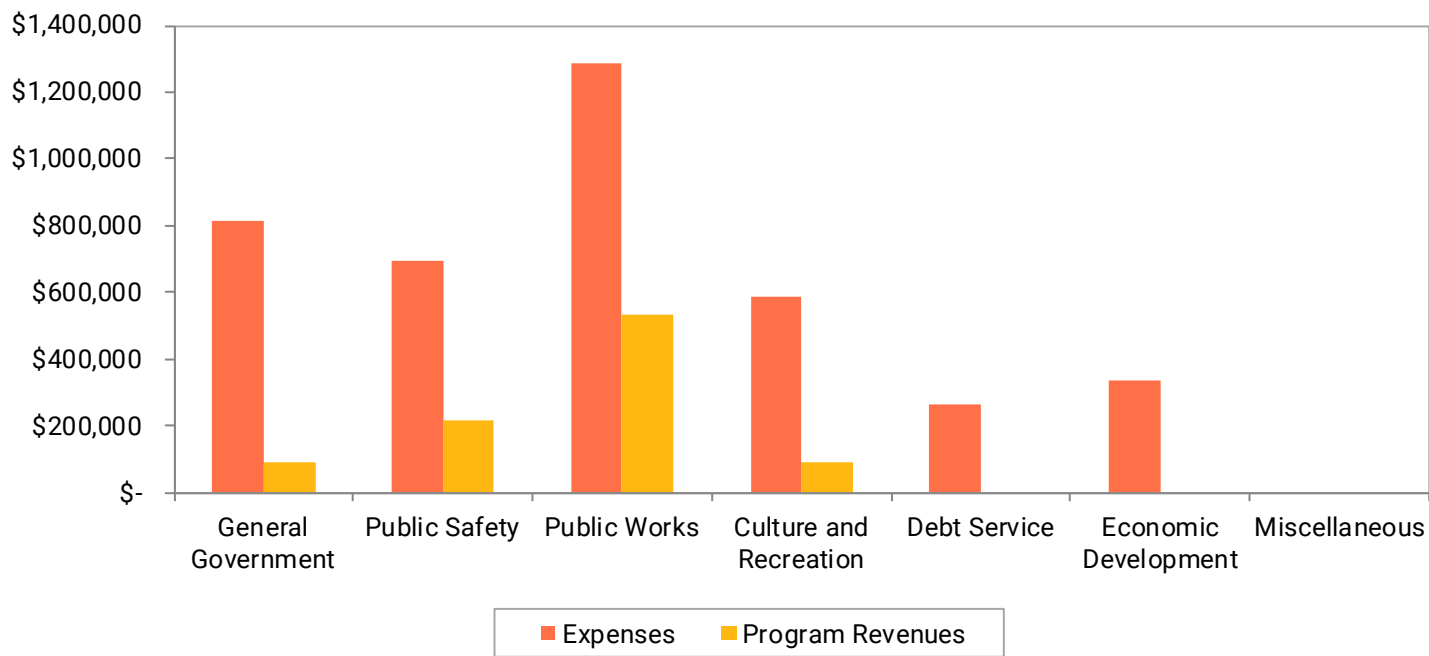
Changes in Net Position. Key elements of the changes in net position are as follows:

City of Norwood Young America's Changes in Net Position

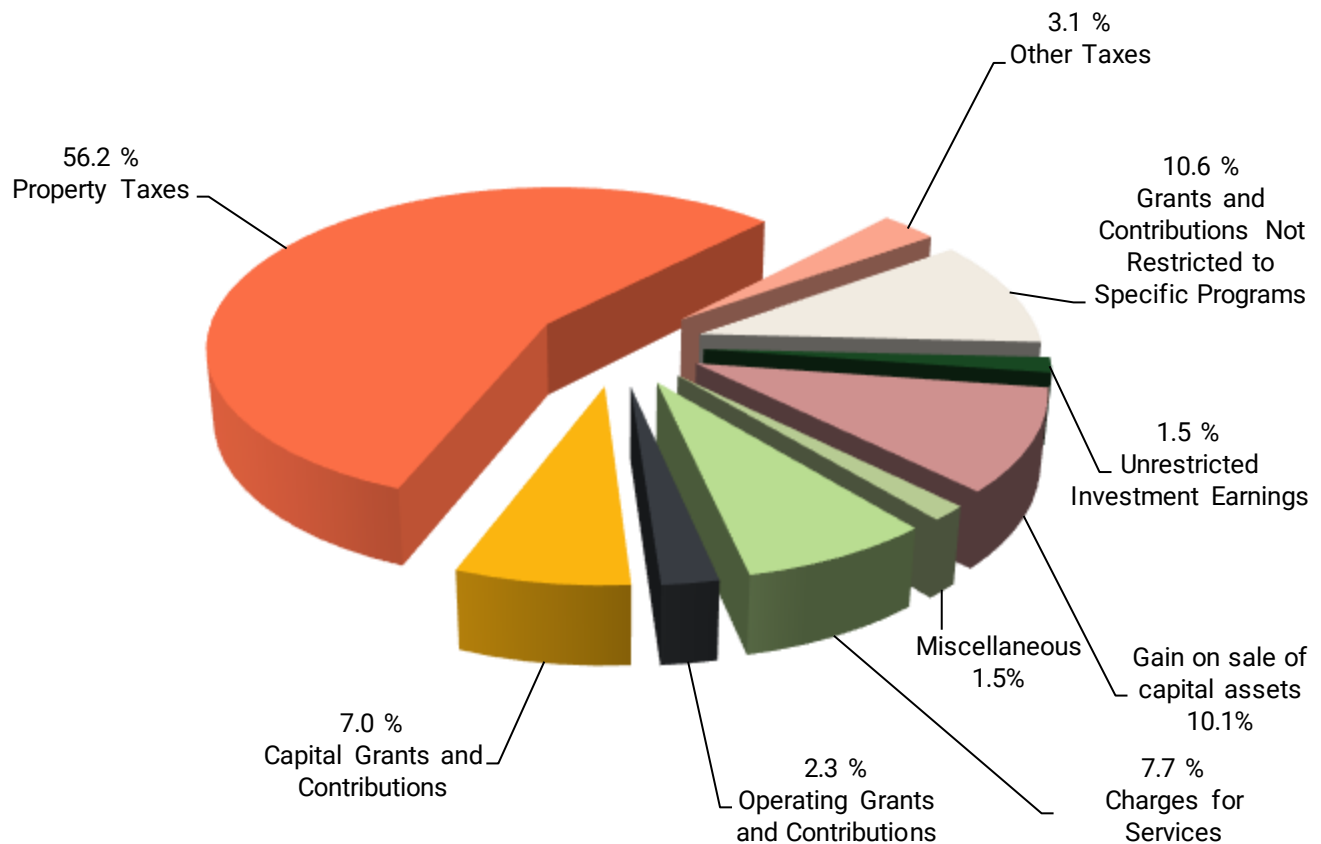
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 421,632	\$ 439,314	\$ (17,682)	\$ 3,387,893	\$ 3,234,046	\$ 153,847
Operating grants and contributions	126,951	214,366	(87,415)	56,807	168,553	(111,746)
Capital grants and contributions	385,290	288,307	96,983	65,252	44,381	20,871
General Revenues						
Property taxes	3,075,306	3,097,200	(21,894)	-	-	-
Tax increments	170,108	301,873	(131,765)	-	-	-
Grants and Contributions Not restricted to specific programs	578,089	490,194	87,895	-	-	-
Unrestricted Investment Earnings	80,068	44,829	35,239	400	149	251
Gain on Sale of Capital Assets	552,408	43,898	508,510	-	17,000	(17,000)
Miscellaneous	79,691	417	79,274	-	-	-
Total Revenues	<u>5,469,543</u>	<u>4,920,398</u>	<u>549,145</u>	<u>3,510,352</u>	<u>3,464,129</u>	<u>46,223</u>
Expenses						
General government	815,894	664,954	150,940	-	-	-
Public safety	696,021	607,011	89,010	-	-	-
Public works	1,287,382	1,124,418	162,964	-	-	-
Culture and recreation	585,963	444,630	141,333	-	-	-
Economic development	337,777	300,460	37,317	-	-	-
Miscellaneous	-	16,950	(16,950)	-	-	-
Debt Service	262,244	316,810	(54,566)	-	-	-
Water	-	-	-	738,210	775,942	(37,732)
Sewer	-	-	-	719,900	664,578	55,322
Harbor at Peace	-	-	-	1,708,341	1,723,125	(14,784)
Total Expenses	<u>3,985,281</u>	<u>3,475,233</u>	<u>510,048</u>	<u>3,166,451</u>	<u>3,163,645</u>	<u>2,806</u>
Change in Net Position Before Transfers	1,484,262	1,445,165	39,097	343,901	300,484	43,417
Transfers	<u>224,907</u>	<u>(36,977)</u>	<u>261,884</u>	<u>(224,907)</u>	<u>36,977</u>	<u>(261,884)</u>
Change in Net Position	1,709,169	1,408,188	300,981	118,994	337,461	(218,467)
Net Position, January 1	<u>14,771,966</u>	<u>13,363,778</u>	<u>1,408,188</u>	<u>10,073,088</u>	<u>9,735,627</u>	<u>337,461</u>
Net Position, December 31	<u>\$ 16,481,135</u>	<u>\$ 14,771,966</u>	<u>\$ 1,709,169</u>	<u>\$ 10,192,082</u>	<u>\$ 10,073,088</u>	<u>\$ 118,994</u>

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

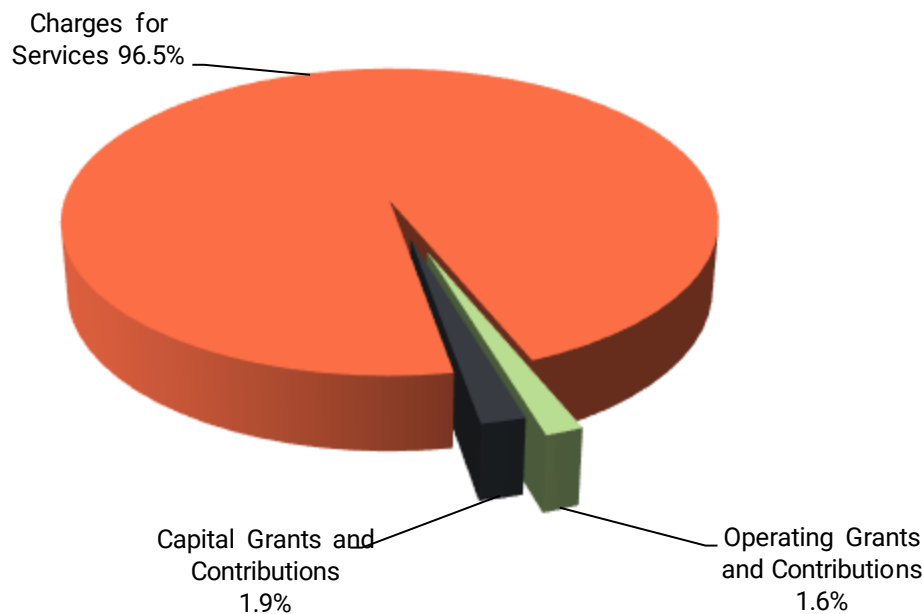


Business-type Activities. Business-type activities increased the City’s net position due to increases in charges for services exceeding the increase in operating costs. The following charts the operating expenses and revenues for the business-type activities excluding the operating and capital transfers discussed above.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2022.

	General	Debt Service	Capital	2nd Avenue Phase 2	Other Governmental Funds	Total Governmental Funds	Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,114	\$ (248,114)
Restricted	-	1,966,746	-	400,727	279,397	2,646,870	1,750,705	896,165
Committed	-	-	-	-	74,230	74,230	50,234	23,996
Assigned	-	-	2,809,691	-	466,375	3,276,066	2,610,567	665,499
Unassigned	<u>2,151,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,248,181)</u>	<u>903,091</u>	<u>494,653</u>	<u>408,438</u>
Total	<u>\$2,151,272</u>	<u>\$1,966,746</u>	<u>\$2,809,691</u>	<u>\$ 400,727</u>	<u>\$ (428,179)</u>	<u>\$6,900,257</u>	<u>\$5,154,273</u>	<u>\$1,745,984</u>

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

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

	Current Year Ending Balance	Prior Year Ending Balance
General Fund Fund Balance		
Nonspendable	\$ -	\$ 248,114
Unassigned	<u>2,151,272</u>	<u>1,792,135</u>
Total	<u>\$ 2,151,272</u>	<u>\$ 2,040,249</u>
General Fund Expenditures	2,494,229	2,215,009
Unassigned as a percent of expenditures	86.2 %	87.8 %
Total Fund Balance as a percent of expenditures	86.2	92.1

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

Other major governmental fund analysis is shown below:

	December 31, 2022	December 31, 2021	Increase (Decrease)
Debt Service	\$ 1,966,746	\$ 1,498,633	\$ 468,113
<i>The Debt Service fund increased from the prior year due to revenues collected in the current year to pay future debt service.</i>			
Capital	\$ 2,809,691	\$ 2,455,172	\$ 354,519
<i>The Rogers Activity Fund fund balance increased from the prior year due to additional revenues from contributions and donations.</i>			
2nd Avenue Phase 2	\$ 400,727	\$ -	\$ 400,727
<i>The Tower & Billboard Lease Fund fund balance increased during the year due to revenues from lease agreements exceeding expenditures</i>			

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

	December 31, 2022	December 31, 2021	Increase (Decrease)
Water	\$ 7,169,442	\$ 7,052,236	\$ 117,206
<i>The Water fund increased during the current year primarily due to capital asset contributions from developers and connection fee revenue.</i>			
Sewer	\$ 4,615,160	\$ 4,634,377	\$ (19,217)
<i>The Sewer fund increased during the current year primarily due to capital asset contributions from developers and connection fee revenue.</i>			
Harbor at Peace	\$ (1,592,520)	\$ (1,613,525)	\$ 21,005
<i>The Storm Sewer fund increased during the current year primarily due to capital asset contributions from developers and connection fee revenue.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$2,409,120	\$2,409,120	\$ 2,568,110	\$ 158,990
Expenditures	2,370,620	2,370,620	2,494,229	(123,609)
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,500	38,500	73,881	35,381
Other Financing Sources (Uses)				
Sale of capital assets	-	-	37,142	37,142
Transfers in	10,000	10,000	-	(10,000)
Transfers out	(48,500)	(48,500)	-	48,500
Total Other Financing Sources (Uses)	(38,500)	(38,500)	37,142	75,642
Net Change in Fund Balances	-	-	111,023	111,023
Fund Balances, January 1	2,040,249	2,040,249	2,040,249	-
Fund Balances, December 31	<u>\$2,040,249</u>	<u>\$2,040,249</u>	<u>\$ 2,151,272</u>	<u>\$ 111,023</u>

Actual revenues and expenditures were over the final budget amounts as shown above. The largest revenue variance was due to miscellaneous revenue exceeding expectations and the largest expenditure variance was within general government, which exceeded its budget by \$88,607.

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, 2022 is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to the following major capital asset events during the fiscal year:

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

- Legion Park Improvements
- 2nd Ave Improvement Projects
- Oak Lane Improvements

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

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

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 3,117,981	\$ 3,117,981	\$ -	\$ 239,048	\$ 239,048	\$ -
Construction in Progress	1,387,534	990,952	396,582	651,375	1,037,859	(386,484)
Buildings	2,576,820	2,700,191	(123,371)	7,334,738	7,583,997	(249,259)
Infrastructure	10,006,442	9,449,290	557,152	8,855,204	8,164,722	690,482
Machinery and Equipment	1,540,896	1,653,897	(113,001)	330,395	412,235	(81,840)
Total	<u>\$ 18,629,673</u>	<u>\$ 17,912,311</u>	<u>\$ 717,362</u>	<u>\$ 17,410,760</u>	<u>\$ 17,437,861</u>	<u>\$ (27,101)</u>

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

City of Norwood Young America's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
General Obligation Bonds	\$ 4,870,000	\$ 3,110,000	\$ 1,760,000	\$ -	\$ -	\$ -
General Obligation Improvement Bonds	3,881,823	4,676,895	(795,072)	-	-	-
General Obligation Revenue Bonds	-	-	-	9,380,176	9,397,104	(16,928)
Revenue Bonds	-	-	-	-	-	-
Bond Premium	521,838	551,162	(29,324)	321,274	335,796	(14,522)
Bond Discount	-	-	-	(15,409)	(21,497)	6,088
Capital Equipment Lease	-	24,176	(24,176)	-	-	-
Total	<u>\$ 9,273,661</u>	<u>\$ 8,362,233</u>	<u>\$ 911,428</u>	<u>\$ 9,686,041</u>	<u>\$ 9,711,403</u>	<u>\$ (25,362)</u>

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

Economic Factors

- In 2021, the 2022 - 2026 Financial Plan was updated and adopted. The information compiled in the plan was used to assist in preparing the 2022 budget and property tax levy.

Requests for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Norwood Young America, Minnesota

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 6,924,045	\$ 2,513,583	\$ 9,437,628
Receivables			
Accrued interest	1,665	-	1,665
Delinquent taxes	59,253	-	59,253
Accounts, net of allowance	26,901	267,162	294,063
Loans, net of allowance	120,901	-	120,901
Special assessments	740,936	80,094	821,030
Due from other governments	451,323	200	451,523
Prepaid items	-	11,117	11,117
Capital assets			
Non-depreciable	4,505,515	890,423	5,395,938
Depreciable (net of accumulated depreciation)	14,124,158	16,520,337	30,644,495
Total Assets	<u>26,954,697</u>	<u>20,282,916</u>	<u>47,237,613</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>255,645</u>	<u>62,432</u>	<u>318,077</u>
Liabilities			
Accounts and other payables	197,493	48,507	246,000
Accrued salaries and wages payable	42,665	77,801	120,466
Due to other governments	7,641	4,952	12,593
Deposits payable	79,077	24,007	103,084
Accrued interest payable	103,076	86,236	189,312
Unearned revenue	334,969	-	334,969
Noncurrent liabilities			
Due within one year			
Long-term liabilities	915,290	955,460	1,870,750
Due in more than one year			
Long-term liabilities	8,393,933	8,747,769	17,141,702
Net pension liability	645,166	204,783	849,949
Total Liabilities	<u>10,719,310</u>	<u>10,149,515</u>	<u>20,868,825</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>9,897</u>	<u>3,751</u>	<u>13,648</u>
Net Position			
Net investment in capital assets	9,900,994	7,973,776	17,874,770
Restricted for			
Debt service	2,539,321	-	2,539,321
Park dedication	67,243	-	67,243
Economic development	5,247	-	5,247
Street maintenance	62,652	-	62,652
Unrestricted	<u>3,905,678</u>	<u>2,218,306</u>	<u>6,123,984</u>
Total Net Position	<u>\$ 16,481,135</u>	<u>\$ 10,192,082</u>	<u>\$ 26,673,217</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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 815,894	\$ 55,442	\$ 34,813	\$ -
Public safety	696,021	187,292	31,159	-
Public works	1,287,382	105,261	43,924	382,790
Culture and recreation	585,963	73,637	17,055	2,500
Economic development	337,777	-	-	-
Interest on long-term debt	262,244	-	-	-
Total Governmental Activities	<u>3,985,281</u>	<u>421,632</u>	<u>126,951</u>	<u>385,290</u>
Business-type Activities				
Water	738,210	875,551	7,202	33,077
Sewer	719,900	783,956	49,045	32,175
Harbor at Peace	1,708,341	1,728,386	560	-
Total Business-type Activities	<u>3,166,451</u>	<u>3,387,893</u>	<u>56,807</u>	<u>65,252</u>
Total	<u>\$ 7,151,732</u>	<u>\$ 3,809,525</u>	<u>\$ 183,758</u>	<u>\$ 450,542</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 assets

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
\$ (725,639)	\$ -	\$ (725,639)
(477,570)	-	(477,570)
(755,407)	-	(755,407)
(492,771)	-	(492,771)
(337,777)	-	(337,777)
(262,244)	-	(262,244)
<u>(3,051,408)</u>	<u>-</u>	<u>(3,051,408)</u>
-	177,620	177,620
-	145,276	145,276
-	20,605	20,605
<u>-</u>	<u>343,501</u>	<u>343,501</u>
<u>(3,051,408)</u>	<u>343,501</u>	<u>(2,707,907)</u>
2,268,760	-	2,268,760
806,546	-	806,546
170,108	-	170,108
578,089	-	578,089
80,068	400	80,468
552,408	-	552,408
79,691	-	79,691
224,907	(224,907)	-
<u>4,760,577</u>	<u>(224,507)</u>	<u>4,536,070</u>
1,709,169	118,994	1,828,163
<u>14,771,966</u>	<u>10,073,088</u>	<u>24,845,054</u>
<u>\$ 16,481,135</u>	<u>\$ 10,192,082</u>	<u>\$ 26,673,217</u>

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

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

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Norwood Young America, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Capital	2nd Avenue Phase 2	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	\$ 1,832,530	\$ 2,014,864	\$ 1,501,809	\$ 457,807	\$ 1,117,035	\$ 6,924,045
Receivables						
Accrued interest	1,665	-	-	-	-	1,665
Delinquent taxes	59,253	-	-	-	-	59,253
Accounts	16,657	-	-	-	10,244	26,901
Loans	-	-	120,901	-	10,000	130,901
Less: allowance for forgivable loans	-	-	-	-	(10,000)	(10,000)
Special assessments	65,062	675,846	-	-	28	740,936
Due from other governments	450,159	1,164	-	-	-	451,323
Advances to other funds	-	-	1,188,178	-	-	1,188,178
Total Assets	<u>\$ 2,425,326</u>	<u>\$ 2,691,874</u>	<u>\$ 2,810,888</u>	<u>\$ 457,807</u>	<u>\$ 1,127,307</u>	<u>\$ 9,513,202</u>
Liabilities						
Accounts and other payables	\$ 105,009	\$ -	\$ 1,197	\$ 57,080	\$ 34,207	\$ 197,493
Accrued salaries and wages payable	42,246	-	-	-	419	42,665
Due to other governments	7,641	-	-	-	-	7,641
Deposits payable	31,915	49,477	-	-	(2,315)	79,077
Advances from other funds	-	-	-	-	1,188,178	1,188,178
Unearned revenue	-	-	-	-	334,969	334,969
Total Liabilities	<u>186,811</u>	<u>49,477</u>	<u>1,197</u>	<u>57,080</u>	<u>1,555,458</u>	<u>1,850,023</u>
Deferred Inflows of Resources						
Unavailable revenue - taxes	22,181	-	-	-	-	22,181
Unavailable revenue - special assessments	65,062	675,651	-	-	28	740,741
Total Deferred Inflows of Resources	<u>87,243</u>	<u>675,651</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>762,922</u>
Fund Balances						
Restricted for						
Debt service	-	1,966,746	-	-	-	1,966,746
Park dedication	-	-	-	-	67,243	67,243
Economic development	-	-	-	-	5,247	5,247
Capital projects	-	-	-	400,727	206,907	607,634
Committed						
Donations	-	-	-	-	11,866	11,866
Cemetery	-	-	-	-	20,184	20,184
Strom Water	-	-	-	-	42,180	42,180
Assigned for						
Industrial park marketing	-	-	52,410	-	-	52,410
Capital outlay	-	-	2,757,281	-	466,375	3,223,656
Unassigned	2,151,272	-	-	-	(1,248,181)	903,091
Total Fund Balances	<u>2,151,272</u>	<u>1,966,746</u>	<u>2,809,691</u>	<u>400,727</u>	<u>(428,179)</u>	<u>6,900,257</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,425,326</u>	<u>\$ 2,691,874</u>	<u>\$ 2,810,888</u>	<u>\$ 457,807</u>	<u>\$ 1,127,307</u>	<u>\$ 9,513,202</u>

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, 2022

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

Total Fund Balances - Governmental Funds	\$ 6,900,257
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	33,772,737
Less: accumulated depreciation	(15,143,064)
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	(35,562)
Bond principal payable	(8,751,823)
Less bond premium	(521,838)
Net Pension liability	(645,166)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	22,181
Special assessments	740,741
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	255,645
Deferred inflows of pension resources	(9,897)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(103,076)</u>
Total Net Position - Governmental Activities	<u><u>\$ 16,481,135</u></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, 2022

	General	Debt Service	Capital	2nd Avenue Phase 2	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 1,519,172	\$ 806,546	\$ 642,200	\$ -	\$ 300,108	\$ 3,268,026
Licenses and permits	107,397	-	-	-	-	107,397
Intergovernmental	571,290	-	-	-	76,915	648,205
Charges for services	170,106	-	1,268	-	104,940	276,314
Fines and forfeits	13,123	-	-	-	-	13,123
Special assessments	449	152,479	-	-	85	153,013
Interest on investments	31,412	-	48,430	-	226	80,068
Miscellaneous	155,161	-	9,145	-	10,077	174,383
Total Revenues	<u>2,568,110</u>	<u>959,025</u>	<u>701,043</u>	<u>-</u>	<u>492,351</u>	<u>4,720,529</u>
Expenditures						
Current						
General government	726,427	-	-	-	3,679	730,106
Public safety	474,955	-	-	-	-	474,955
Public works	767,364	-	-	-	20,750	788,114
Culture and recreation	324,092	-	-	-	22,461	346,553
Economic development	172,151	-	-	-	91,267	263,418
Capital outlay						
General government	2,546	-	-	-	-	2,546
Public safety	12,450	-	347	-	76,915	89,712
Public works	-	-	41,160	1,395,102	39,004	1,475,266
Culture and recreation	14,244	-	183,430	-	-	197,674
Debt service						
Principal	-	900,072	24,176	-	-	924,248
Interest and other	-	236,612	791	-	48,430	285,833
Bond issuance costs	-	-	-	52,349	-	52,349
Total Expenditures	<u>2,494,229</u>	<u>1,136,684</u>	<u>249,904</u>	<u>1,447,451</u>	<u>302,506</u>	<u>5,630,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73,881</u>	<u>(177,659)</u>	<u>451,139</u>	<u>(1,447,451)</u>	<u>189,845</u>	<u>(910,245)</u>
Other Financing Sources (Uses)						
Bonds issued	-	30,736	-	1,834,264	-	1,865,000
Bond premium	-	-	-	13,914	-	13,914
Sale of capital assets	37,142	248,114	-	-	267,152	552,408
Transfers in	-	366,922	-	-	-	366,922
Transfers out	-	-	(96,620)	-	(45,395)	(142,015)
Total Other Financing Sources (Uses)	<u>37,142</u>	<u>645,772</u>	<u>(96,620)</u>	<u>1,848,178</u>	<u>221,757</u>	<u>2,656,229</u>
Net Change in Fund Balances	111,023	468,113	354,519	400,727	411,602	1,745,984
Fund Balances, January 1	<u>2,040,249</u>	<u>1,498,633</u>	<u>2,455,172</u>	<u>-</u>	<u>(839,781)</u>	<u>5,154,273</u>
Fund Balances, December 31	<u>\$ 2,151,272</u>	<u>\$ 1,966,746</u>	<u>\$ 2,809,691</u>	<u>\$ 400,727</u>	<u>\$ (428,179)</u>	<u>\$ 6,900,257</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, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,745,984
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	1,485,191
Depreciation expense	(767,829)
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.	
Debt issued	(1,865,000)
Bond premium	(13,914)
Principal repayments	924,248
Amortization of bond premium	43,238
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.	
	32,700
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	(22,612)
Special assessments	216,151
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	(13,099)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(58,956)
Direct aid contributions	3,067
Change in Net Position - Governmental Activities	<u>\$ 1,709,169</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 -
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,621,558	\$ 1,621,558	\$ 1,519,172	\$ (102,386)
Licenses and permits	110,400	110,400	107,397	(3,003)
Intergovernmental	452,562	452,562	571,290	118,728
Charges for services	156,600	156,600	170,106	13,506
Fines and forfeitures	10,000	10,000	13,123	3,123
Special assessments	-	-	449	449
Interest (loss) on investments	25,000	25,000	31,412	6,412
Miscellaneous	33,000	33,000	155,161	122,161
Total Revenues	<u>2,409,120</u>	<u>2,409,120</u>	<u>2,568,110</u>	<u>158,990</u>
Expenditures				
Current				
General government	637,820	637,820	726,427	(88,607)
Public safety	462,100	462,100	474,955	(12,855)
Public works	712,200	712,200	767,364	(55,164)
Culture and recreation	341,400	341,400	324,092	17,308
Economic development	146,500	146,500	172,151	(25,651)
Miscellaneous	16,000	16,000	-	16,000
Capital outlay	54,600	54,600	29,240	25,360
Total Expenditures	<u>2,370,620</u>	<u>2,370,620</u>	<u>2,494,229</u>	<u>(123,609)</u>
Excess of Revenues Over Expenditures	<u>38,500</u>	<u>38,500</u>	<u>73,881</u>	<u>35,381</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	37,142	37,142
Transfers in	10,000	10,000	-	(10,000)
Transfers out	(48,500)	(48,500)	-	48,500
Total Other Financing Sources (Uses)	<u>(38,500)</u>	<u>(38,500)</u>	<u>37,142</u>	<u>75,642</u>
Net Change in Fund Balances	-	-	111,023	111,023
Fund Balances, January 1	<u>2,040,249</u>	<u>2,040,249</u>	<u>2,040,249</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,040,249</u>	<u>\$ 2,040,249</u>	<u>\$ 2,151,272</u>	<u>\$ 111,023</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, 2022

	Business-type Activities - Enterprise Funds			
	601	602	251	
	<u>Water</u>	<u>Sewer</u>	<u>Harbor at Peace</u>	<u>Totals</u>
Assets				
Current Assets				
Cash and temporary investments	\$ 1,250,660	\$ 859,092	\$ 403,831	\$ 2,513,583
Receivables				
Accounts, net of allowance	80,766	78,805	107,591	267,162
Special assessments	48,787	31,307	-	80,094
Due from other governments	194	6	-	200
Prepaid items	-	-	11,117	11,117
Total Current Assets	<u>1,380,407</u>	<u>969,210</u>	<u>522,539</u>	<u>2,872,156</u>
Noncurrent Assets				
Capital assets				
Land	75,230	97,118	66,700	239,048
Buildings	5,890,829	477,582	5,108,463	11,476,874
Infrastructure	6,854,229	11,092,577	37,255	17,984,061
Machinery and equipment	412,203	536,890	403,078	1,352,171
Construction in progress	464,389	182,286	4,700	651,375
Less accumulated depreciation	(4,156,665)	(6,985,296)	(3,150,808)	(14,292,769)
Total Capital Assets	<u>9,540,215</u>	<u>5,401,157</u>	<u>2,469,388</u>	<u>17,410,760</u>
Total Assets	<u>10,920,622</u>	<u>6,370,367</u>	<u>2,991,927</u>	<u>20,282,916</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>31,218</u>	<u>31,214</u>	<u>-</u>	<u>62,432</u>
Liabilities				
Current Liabilities				
Accounts and other payables	14,162	11,588	22,765	48,515
Due to other governments	3,719	1,233	-	4,952
Accrued salaries and wages payable	4,052	4,052	69,689	77,793
Deposits payable	-	-	24,007	24,007
Accrued interest payable	32,519	12,092	41,625	86,236
Compensated absences payable - current	8,594	8,594	-	17,188
Bonds payable - current	408,407	319,865	210,000	938,272
Total Current Liabilities	<u>471,453</u>	<u>357,424</u>	<u>368,086</u>	<u>1,196,963</u>
Noncurrent Liabilities				
Net Pension liability	102,307	102,476	-	204,783
Bonds payable, net	3,206,762	1,324,646	4,216,361	8,747,769
Total Noncurrent Liabilities	<u>3,309,069</u>	<u>1,427,122</u>	<u>4,216,361</u>	<u>8,952,552</u>
Total Liabilities	<u>3,780,522</u>	<u>1,784,546</u>	<u>4,584,447</u>	<u>10,149,515</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>1,876</u>	<u>1,875</u>	<u>-</u>	<u>3,751</u>
Net Position				
Net investment in capital assets	6,112,343	3,818,406	(1,956,973)	7,973,776
Unrestricted	1,057,099	796,754	364,453	2,218,306
Total Net Position	<u>\$ 7,169,442</u>	<u>\$ 4,615,160</u>	<u>\$ (1,592,520)</u>	<u>\$ 10,192,082</u>

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

City of Norwood Young America, Minnesota
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	601	602	251	
	Water	Sewer	Harbor at Peace	Totals
Operating Revenues				
Rental income	\$ -	\$ -	\$ 1,624,224	\$ 1,624,224
Other housing income	-	-	104,162	104,162
Charges for services	875,551	783,956	-	1,659,507
Total Operating Revenues	875,551	783,956	1,728,386	3,387,893
Operating Expenses				
Personal services	149,359	164,271	890,452	1,204,082
Supplies	10,507	25,152	167,301	202,960
Other services and charges	70,667	89,474	183,305	343,446
Repair and maintenance	74,254	52,837	42,616	169,707
Utilities	63,292	80,803	113,811	257,906
Advertising	-	-	7,153	7,153
Depreciation	285,097	276,172	212,159	773,428
Total Operating Expenses	653,176	688,709	1,616,797	2,958,682
Operating Income	222,375	95,247	111,589	429,211
Nonoperating Revenues (Expenses)				
Intergovernmental	-	13,375	560	13,935
Interest income	-	-	400	400
Gain (Loss) on sale of capital assets	-	-	(5,000)	(5,000)
Miscellaneous income	7,202	35,670	-	42,872
Bond issuance cost	(16,421)	(6,877)	-	(23,298)
Amortization of deferred charges and bond premium	2,091	1,315	11,248	14,654
Interest expense and other	(70,704)	(25,629)	(97,792)	(194,125)
Total Nonoperating Revenues (Expenses)	(77,832)	17,854	(90,584)	(150,562)
Income Before Contributions and Transfers	144,543	113,101	21,005	278,649
Contributions and Transfers				
Capital contributions	33,077	32,175	-	65,252
Transfers out	(60,414)	(164,493)	-	(224,907)
Total Capital Contributions and Transfers	(27,337)	(132,318)	-	(159,655)
Change in Net Position	117,206	(19,217)	21,005	118,994
Net Position, January 1	7,052,236	4,634,377	(1,613,525)	10,073,088
Net Position, December 31	\$ 7,169,442	\$ 4,615,160	\$ (1,592,520)	\$ 10,192,082

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, 2022

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	251 Harbor at Peace	Total
Cash Flows from Operating Activities				
Receipts from tenants and users	\$ 880,422	\$ 828,327	\$ 1,710,716	\$ 3,419,465
Payments to suppliers	(222,990)	(236,697)	(552,473)	(1,012,160)
Payments to employees	(152,387)	(162,400)	(888,734)	(1,203,521)
Net Cash Provided by Operating Activities	505,045	429,230	269,509	1,203,784
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(60,414)	(164,493)	-	(224,907)
Cash Flows from Capital and Related Financing Activities				
Connection fees received	1,777	875	-	2,652
Acquisition of capital assets	(472,645)	(207,402)	(74,580)	(754,627)
Proceeds from the sale of assets	-	-	3,300	3,300
Trunk charges received	31,300	31,300	-	62,600
Proceeds of bonds issued, net of issuance costs and bond premium	572,927	239,995	-	812,922
Principal paid on long-term debt	(401,849)	(240,079)	(205,000)	(846,928)
Interest paid on long-term debt	(74,519)	(27,054)	(106,677)	(208,250)
Net Cash Used by Capital and Related Financing Activities	(343,009)	(202,365)	(382,957)	(928,331)
Cash Flows from Investing Activities				
Interest received	-	-	400	400
Net Increase (Decrease) In Cash and Cash Equivalents	101,622	62,372	(113,048)	50,946
Cash and Cash Equivalents, January 1	1,149,038	796,720	516,879	2,462,637
Cash and Cash Equivalents, December 31	<u>\$ 1,250,660</u>	<u>\$ 859,092</u>	<u>\$ 403,831</u>	<u>\$ 2,513,583</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	222,375	95,247	111,589	429,211
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	7,202	49,045	560	56,807
Depreciation	285,097	276,172	212,159	773,428
(Increase) decrease in assets/deferred outflows				
Accounts receivable	(2,449)	(3,926)	(28,360)	(34,735)
Special assessments	312	(742)	-	(430)
Prepaid items	-	-	(487)	(487)
Due from other governments	(194)	(6)	-	(200)
Deferred pension resources	11,399	11,403	-	22,802
Increase (decrease) in liabilities/deferred inflows				
Accounts and other payables	(6,619)	7,304	(37,800)	(37,115)
Due to other governments	2,349	1,233	-	3,582
Accrued salaries and wages payable	89	89	1,718	1,896
Deposits payable	-	-	10,130	10,130
Unearned revenue	-	-	-	-
Compensated absences payable	(6,159)	1,782	-	(4,377)
Net pension liability	44,556	44,543	-	89,099
Deferred pension resources	(52,913)	(52,914)	-	(105,827)
Net Cash Provided by Operating Activities	<u>\$ 505,045</u>	<u>\$ 429,230</u>	<u>\$ 269,509</u>	<u>\$ 1,203,784</u>
Noncash Capital and Related Financing Activities				
Amortization of bond (discount)/premium	\$ 2,091	\$ 1,315	\$ 11,248	\$ 14,654
Book value of disposed capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,300</u>	<u>\$ 8,300</u>

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

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City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

City of Norwood Young America, Minnesota

Notes to the Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

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

The 2nd Avenue Improvement fund accounts for the 2nd avenue improvement project expenditures and bond issuance.

The City reports the following major proprietary funds:

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

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

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

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

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

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

Deposits and Investments

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

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

Investment Policy

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 54 and summarized below.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2022:

- Government securities of \$255,231 are valued using quoted market prices (Level 1 inputs)
- Negotiable Certificates of Deposit of \$584,130 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

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

Prepaid Items

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

Interfund Receivables and Payables

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

Deferred Outflows of Resources

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

Compensated Absences

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Pensions

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

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

	Public Employees Retirement Association of Minnesota (PERA)		Total All Plans
	GERP	Fire Relief Association	
City's proportionate share	\$ 104,157	\$ 12,555	\$ 116,712
Proportionate share of State's contribution	3,270	-	3,270
Total pension expense	<u>\$ 107,427</u>	<u>\$ 12,555</u>	<u>\$ 119,982</u>

Fire Relief Association

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

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

Fund Balance

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

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

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

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

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

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

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The budget was not amended during 2022.

B. Deficit Fund Equity

As of December 31, 2022, the following funds reported deficit fund equity:

Fund	Amount
Governmental Funds	
Nonmajor capital projects	
TIF 3-3	\$ 252,677
TIF 3-4	399,727
TIF 3-5	21,936
TIF 3-6	418,187
Underpass Project	155,654
Proprietary Funds	
Harbor at Peace	1,592,520

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Excess of Expenditures over Appropriations

For the year ended December 31, 2022 expenditures exceeded appropriations in the following fund:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund	<u>\$ 2,370,620</u>	<u>\$ 2,494,229</u>	<u>\$ 123,609</u>

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

At year end, the City's carrying amount of deposits was \$7,583,797 and the bank balance was \$9,430,231. The bank balance was covered by federal depository insurance totaling \$500,000, the remaining bank balance was covered by collateral held by the City's agent in the City's name and the remaining balance was uncollateralized at year end.

Investments

As of December 31, 2022, the City had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker money market fund	N/A	N/A	<u>\$ 1,014,120</u>			
Non-pooled Investments at Fair Value						
Negotiable Certificates of deposit	N/A	1 to 5 years	584,130	\$ -	\$ 584,130	\$ -
Government Securities	AAA	over 5 years	<u>255,231</u>	<u>255,231</u>	<u>-</u>	<u>-</u>
Total Non-pooled Investments			<u>839,361</u>	<u>255,231</u>	<u>584,130</u>	<u>-</u>
Total Investments			<u>\$ 1,853,481</u>	<u>\$ 255,231</u>	<u>\$ 584,130</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.

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

- **Credit Risk.** Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The City's investment policy and Minnesota statutes limit the City's investments to the list are on page 47 of the notes.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy requires appropriate collateralization of investments.
- **Concentration of Credit Risk.** Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City's investment policy does however require the City to seek diversification of investments.
- **Interest Rate Risk.** Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy seeks to mitigate the City's exposure to interest rate risk.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 7,583,797
Investments	1,853,481
Cash on Hand	<u>350</u>
 Total	 <u><u>\$ 9,437,628</u></u>
 Government-wide Statements	
Cash and temporary investments	<u><u>\$ 9,437,628</u></u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2022 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	<u>990,952</u>	<u>1,424,175</u>	<u>(1,027,593)</u>	<u>1,387,534</u>
Total Capital Assets not being Depreciated	<u>4,108,933</u>	<u>1,424,175</u>	<u>(1,027,593)</u>	<u>4,505,515</u>
 Capital Assets being Depreciated				
Buildings and improvements	4,343,920	-	-	4,343,920
Infrastructure	19,949,631	1,027,593	-	20,977,224
Machinery and equipment	<u>3,923,938</u>	<u>61,016</u>	<u>(38,876)</u>	<u>3,946,078</u>
Total Capital Assets being Depreciated	<u>28,217,489</u>	<u>1,088,609</u>	<u>(38,876)</u>	<u>29,267,222</u>
 Less Accumulated Depreciation for				
Buildings and improvements	(1,643,729)	(123,371)	-	(1,767,100)
Infrastructure	(10,500,341)	(470,441)	-	(10,970,782)
Machinery and equipment	<u>(2,270,041)</u>	<u>(174,017)</u>	<u>38,876</u>	<u>(2,405,182)</u>
Total Accumulated Depreciation	<u>(14,414,111)</u>	<u>(767,829)</u>	<u>38,876</u>	<u>(15,143,064)</u>
 Total Capital Assets being Depreciated, Net	<u>13,803,378</u>	<u>320,780</u>	<u>-</u>	<u>14,124,158</u>
 Governmental Activities Capital Assets, Net	<u><u>\$ 17,912,311</u></u>	<u><u>\$ 1,744,955</u></u>	<u><u>\$ (1,027,593)</u></u>	<u><u>\$ 18,629,673</u></u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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	1,037,859	680,045	(1,066,529)	651,375
Total Capital Assets not being Depreciated	<u>1,276,907</u>	<u>680,045</u>	<u>(1,066,529)</u>	<u>890,423</u>
Capital Assets being Depreciated				
Buildings	11,405,027	71,847	-	11,476,874
Infrastructure	16,914,797	1,069,264	-	17,984,061
Machinery and equipment	1,360,471	-	(8,300)	1,352,171
Total Capital Assets being Depreciated	<u>29,680,295</u>	<u>1,141,111</u>	<u>(8,300)</u>	<u>30,813,106</u>
Less Accumulated Depreciation for				
Buildings	(3,821,030)	(321,106)	-	(4,142,136)
Infrastructure	(8,750,075)	(378,782)	-	(9,128,857)
Machinery and equipment	(948,236)	(73,540)	-	(1,021,776)
Total Accumulated Depreciation	<u>(13,519,341)</u>	<u>(773,428)</u>	<u>-</u>	<u>(14,292,769)</u>
Total Capital Assets being Depreciated, Net	<u>16,160,954</u>	<u>367,683</u>	<u>(8,300)</u>	<u>16,520,337</u>
Business-type Activities Capital Assets, Net	<u>\$ 17,437,861</u>	<u>\$ 1,047,728</u>	<u>\$ (1,074,829)</u>	<u>\$ 17,410,760</u>

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

Governmental Activities

General government	\$ 56,342
Public safety	118,799
Public works	428,172
Culture and recreation	96,576
Economic development	<u>67,940</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 767,829</u>

Business-type Activities

Water	\$ 285,097
Sewer	276,172
Harbor at Peace	<u>212,159</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 773,428</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Construction Projects and Commitments

The City has active construction projects as of December 31, 2022. At year end, the commitments with the contractors for these projects are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
2nd Ave Improvements Phase 2	<u>\$ 1,802,386</u>	<u>\$ 256,009</u>

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance From/To Other Funds		
Capital fund	Nonmajor governmental funds	<u>\$ 1,188,178</u>

The composition of interfund transfers as of December 31, 2022 is as follows:

<u>Fund</u>	<u>Transfer In Debt Service</u>
Transfer Out	
Capital	\$ 96,620
Nonmajor governmental	45,395
Water	60,414
Sewer	<u>164,493</u>
Total	<u>\$ 366,922</u>

During the year, transfers are used to move revenues from the fund with collection authorization to the Debt Service fund, as debt service principal and interest payments become due.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2016A	\$ 1,415,000	2.00 - 3.00 %	07/21/16	02/01/35	\$ 1,415,000
G.O. Bonds, Series 2020A	935,000	2.00 - 4.00	07/07/20	02/01/31	830,000
G.O. Bonds, Series 2021A	935,000	1.00 - 2.00	08/19/21	02/01/32	760,000
G.O. Bonds, Series 2022A	1,865,000	3.00 - 3.150	06/16/22	02/01/33	1,865,000
Total General Obligation Bonds					<u>\$ 4,870,000</u>

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

Year Ending December 31,	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 180,000	\$ 137,213	\$ 317,213
2024	350,000	121,755	471,755
2025	360,000	110,655	470,655
2026	475,000	98,180	573,180
2027	425,000	85,530	510,530
2028 - 2032	2,285,000	261,410	2,546,410
2033 - 2035	795,000	29,695	824,695
Total	<u>\$ 4,870,000</u>	<u>\$ 844,438</u>	<u>\$ 5,714,438</u>

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2013A	\$ 1,920,000	2.00 - 3.25 %	06/20/13	02/01/31	\$ 1,105,000
G.O. Refunding Bonds, G.O. Bonds, Series 2020A	4,943,550	2.00 - 4.00	07/07/20	02/01/32	2,776,823
Total G.O. Special Assessment Bonds					<u>\$ 3,881,823</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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
2023	\$ 699,728	\$ 129,215	\$ 828,943
2024	727,450	102,047	829,497
2025	738,210	73,859	812,069
2026	615,315	47,964	663,279
2027	425,475	28,197	453,672
2028 - 2032	675,645	42,544	718,189
Total	<u>\$ 3,881,823</u>	<u>\$ 423,826</u>	<u>\$ 4,305,649</u>

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note, Series 2010	\$ 1,966,604	2.46 %	07/21/10	08/20/39	\$ 1,312,000
G.O. Sewer and Water Revenue Refunding Bonds, 2012A	3,815,000	0.40 - 2.00	03/14/12	02/01/24	780,000
G.O. Water Revenue Bonds, Series 2016A	1,920,000	2.19	07/21/16	02/01/29	1,260,000
G.O. Bonds, Series 2020A	276,450	2.00 - 4.00	07/07/20	02/01/32	193,177
G.O. Housing Revenue Refunding Bonds, Series 2020	4,580,000	2.00 - 3.00	07/16/20	08/01/38	4,180,000
G.O. Bonds, Series 2021A	825,000	1.00 - 2.00	08/19/21	02/01/32	825,000
G.O. Bonds, Series 2022A	830,000	3.00 - 3.150	06/16/22	02/01/33	830,000
Total G.O. Revenue Bonds					<u>\$ 9,380,177</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2023	\$ 938,272	\$ 215,800	\$ 1,154,072
2024	1,047,550	189,603	1,237,153
2025	662,790	168,492	831,282
2026	682,685	151,014	833,699
2027	664,525	133,656	798,181
2028 - 2032	2,933,355	435,371	3,368,726
2033 - 2037	1,573,000	155,341	1,728,341
2038 - 2039	878,000	31,736	909,736
Total	<u>\$ 9,380,177</u>	<u>\$ 1,481,013</u>	<u>\$ 10,861,190</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 are as follows:

	Water	Sewer	Harbor at Peace
Revenues	\$ 875,551	\$ 783,956	\$ 1,728,386
Principal and Interest	476,368	267,133	311,677
Percent of Revenues	54 %	34 %	18 %

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 3,110,000	\$ 1,865,000	\$ (105,000)	\$ 4,870,000	\$ 180,000
G.O. special assessment bonds	4,676,895	-	(795,072)	3,881,823	699,728
Unamortized premium on bonds	551,162	13,914	(43,238)	521,838	-
Total Bonds Payable	8,338,057	1,878,914	(943,310)	9,273,661	879,728
Financed purchase obligation	24,176	-	(24,176)	-	-
Compensated Absences Payable	22,463	32,909	(19,810)	35,562	35,562
Governmental Activity Long-term Liabilities	<u>\$ 8,384,696</u>	<u>\$ 1,911,823</u>	<u>\$ (987,296)</u>	<u>\$ 9,309,223</u>	<u>\$ 915,290</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 9,397,104	\$ 830,000	\$ (846,928)	\$ 9,380,176	\$ 938,272
Unamortized Premium on Bonds	335,796	6,220	(20,742)	321,274	-
Discount on Bonds	(21,497)	-	6,088	(15,409)	-
Total Bonds Payable	9,711,403	836,220	(861,582)	9,686,041	938,272
Compensated Absences Payable	21,565	34,439	(38,816)	17,188	17,188
Business-type Activity Long-term Liabilities	<u>\$ 9,732,968</u>	<u>\$ 870,659</u>	<u>\$ (900,398)</u>	<u>\$ 9,703,229</u>	<u>\$ 955,460</u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$54,055, \$50,161 and \$46,742, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$744,482 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$21,881. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0094 percent at the end of the measurement period and .0093 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 744,482
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>21,881</u>
Total	<u><u>\$ 766,363</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$104,157 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$3,270 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,218	\$ 7,808
Changes in Actuarial Assumptions	166,752	2,738
Net Difference Between Projected and Actual Earnings on Plan Investments	13,271	-
Changes in Proportion	14,126	3,102
Contributions Paid to PERA Subsequent to the Measurement Date	<u>26,807</u>	<u>-</u>
Total	<u><u>\$ 227,174</u></u>	<u><u>\$ 13,648</u></u>

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The \$26,807 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 74,195
2024	67,912
2025	(22,716)
2026	67,328

E. Long -Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Total	<u>100.00 %</u>	

F. Actuarial Assumptions

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

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

F. Discount Rate

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 1,175,950	\$744,482	\$ 390,614

H. Pension Plan Fiduciary Net Position

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

City of Norwood Young America, Minnesota

Notes to the Financial Statements

December 31, 2022

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, 2022, the plan covered 28 active firefighters and 8 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g.

B. Benefits Provided

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

C. Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$35,134 in fire state aid to the plan on behalf of the Norwood Young America Fire Department for the year ended December 31, 2022, 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, 2022 were \$37,134. In addition, the City made voluntary contributions of \$3,500 to the plan.

D. Investment Policy

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

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

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These 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.

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

E. Pension Cost

At December 31, 2022, the City reported a net pension liability of \$105,466 for the SVF plan. The net pension asset was measured as of December 31, 2022. 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, 2022. 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 12/31/21	\$ 783,862	\$ 877,887	\$ (94,025)
Changes for the Year			
Service cost	27,768	-	27,768
Interest on pension liability	46,856	-	46,856
Actuarial experience (gains)/losses	39,651	-	39,651
Projected investment earnings	-	52,673	(52,673)
Contributions (employer)	-	3,500	(3,500)
Contributions (state)	-	37,134	(37,134)
Asset (gain)/loss	-	(177,452)	177,452
Benefit payouts	(61,409)	(61,409)	-
PERA administrative fee	-	(1,072)	1,072
Net Changes	<u>52,866</u>	<u>(146,626)</u>	<u>199,492</u>
Ending Balance 12/31/22	<u>\$ 836,728</u>	<u>\$ 731,261</u>	<u>\$ 105,467</u>

For the year ended December 31, 2022, the City recognized pension expense of \$12,555.

At December 31, 2022, the City reported deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,897	\$ -
Net Difference Between Projected and Actual Earnings on Plan Investments	<u>85,006</u>	<u>-</u>
Total	<u>\$ 90,903</u>	<u>\$ -</u>
2023		\$ 1,351
2024		(19,783)
2025		(29,048)
2026		(43,423)

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

F. Actuarial Assumptions

The total pension liability at December 31, 2022 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 2022.

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Cash Equivalents	25.00	0.75
Total	100.00 %	

G. Discount Rate

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

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

City of Norwood Young America, Minnesota
Notes to the Financial Statements
December 31, 2022

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

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.0%)	Current (6.0%)	1 Percent Increase (7.0%)
Net Pension Liability (Asset)	\$ 126,846	\$ 105,467	\$ 85,207

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2022, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 6: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

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

C. Tax Increment Districts

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

City of Norwood Young America, Minnesota

Notes to the Financial Statements

December 31, 2022

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.

Note 8: Subsequent Event

The City issued \$2,175,000 of tax abatement bonds in February 2023 for the Industrial Park land project.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Norwood Young America, Minnesota

Required Supplementary Information
For the Year Ended December 31, 2022

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0094 %	\$ 744,482	\$ 21,881	\$ 766,364	\$ 687,608	108.3 %	76.7 %
06/30/21	0.0093	397,152	12,148	409,300	664,052	59.8	87.0
06/29/20	0.0085	509,614	15,603	525,217	603,689	84.4	79.0
06/30/19	0.0087	481,004	14,833	495,837	614,168	78.3	80.2
06/30/18	0.0089	493,736	16,210	509,946	599,417	82.4	79.5
06/30/17	0.0086	549,018	-	549,018	551,281	99.6	75.9
06/29/16	0.0090	730,755	-	730,755	582,866	125.4	68.9
06/29/15	0.0089	461,244	-	461,244	513,273	89.9	78.2

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

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

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contributions in Relation to the Statutorily Required Contribution (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 54,055	\$ 54,055	\$ -	\$ 720,737	7.5 %
12/31/21	50,161	50,161	-	668,814	7.5
12/30/20	46,742	46,742	-	623,227	7.5
12/31/19	45,854	45,854	-	611,390	7.5
12/31/18	45,744	45,744	-	609,920	7.5
12/31/17	42,641	42,641	-	568,543	7.5
12/30/16	43,633	43,633	-	581,773	7.5
12/30/15	41,421	41,421	-	552,285	7.5

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

City of Norwood Young America, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

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

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

Schedule of Employer's Contributions - Statewide Volunteer Firefighters Fund

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORWOOD YOUNG AMERICA
NORWOOD YOUNG AMERICA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Norwood Young America, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 467,640	\$ 649,395	\$ 1,117,035
Receivables			
Accounts	10,055	189	10,244
Loans	-	10,000	10,000
Less: allowance for forgivable loans	-	(10,000)	(10,000)
Special assessments	28	-	28
	<u>28</u>	<u>-</u>	<u>28</u>
Total Assets	<u><u>\$ 477,723</u></u>	<u><u>\$ 649,584</u></u>	<u><u>\$ 1,127,307</u></u>
Liabilities			
Accounts and other payables	\$ 834	\$ 33,373	\$ 34,207
Deposits payable	-	(2,315)	(2,315)
Accrued salaries and wages payable	419	-	419
Unearned revenue	334,969	-	334,969
Advances from other funds	-	1,188,178	1,188,178
Total Liabilities	<u>336,222</u>	<u>1,219,236</u>	<u>1,555,458</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	28	-	28
	<u>28</u>	<u>-</u>	<u>28</u>
Fund Balances			
Restricted for			
Park dedication	67,243	-	67,243
Economic development	-	5,247	5,247
Capital projects	-	206,907	206,907
Committed			
Donations	11,866	-	11,866
Cemetery	20,184	-	20,184
Storm Water	42,180	-	42,180
Assigned for			
Capital outlay	-	466,375	466,375
Unassigned	-	(1,248,181)	(1,248,181)
Total Fund Balances	<u>141,473</u>	<u>(569,652)</u>	<u>(428,179)</u>
	<u>141,473</u>	<u>(569,652)</u>	<u>(428,179)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 477,723</u></u>	<u><u>\$ 649,584</u></u>	<u><u>\$ 1,127,307</u></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, 2022

	Special Revenue	Capital Projects	Total
Revenues			
Taxes			
Property	\$ -	\$ 130,000	\$ 130,000
Tax increments	-	170,108	170,108
Intergovernmental	76,915	-	76,915
Charges for services	104,940	-	104,940
Special assessments	85	-	85
Interest on investments	-	226	226
Miscellaneous	10,077	-	10,077
Total Revenues	<u>192,017</u>	<u>300,334</u>	<u>492,351</u>
Expenditures			
Current			
General government	-	3,679	3,679
Public works	20,750	-	20,750
Culture and recreation	22,461	-	22,461
Economic development	-	91,267	91,267
Capital outlay			
Public safety	76,915	-	76,915
Public works	-	39,004	39,004
Debt service			
Interest and other	-	48,430	48,430
Total Expenditures	<u>120,126</u>	<u>182,380</u>	<u>302,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>71,891</u>	<u>117,954</u>	<u>189,845</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	267,152	267,152
Transfers out	<u>(45,395)</u>	<u>-</u>	<u>(45,395)</u>
Total Other Financing Sources (Uses)	<u>(45,395)</u>	<u>267,152</u>	<u>221,757</u>
Net Changes in Fund Balances	26,496	385,106	411,602
Fund Balances, January 1	<u>114,977</u>	<u>(954,758)</u>	<u>(839,781)</u>
Fund Balances, December 31	<u>\$ 141,473</u>	<u>\$ (569,652)</u>	<u>\$ (428,179)</u>

City of Norwood Young America, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	201 Park Dedication	603 Storm Water	830 Donations	230 Cemetery	258 ARPA (Covid) Funds	Total
Assets						
Cash and temporary investments	\$ 67,243	\$ 32,728	\$ 11,866	\$ 20,834	\$ 334,969	\$ 467,640
Receivable						
Accounts	-	10,055	-	-	-	10,055
Special assessments	-	28	-	-	-	28
Total Assets	<u>\$ 67,243</u>	<u>\$ 42,811</u>	<u>\$ 11,866</u>	<u>\$ 20,834</u>	<u>\$ 334,969</u>	<u>\$ 477,723</u>
Liabilities						
Accounts and other payables	\$ -	\$ 184	\$ -	\$ 650	\$ -	\$ 834
Accrued salaries and wages payable	-	419	-	-	-	419
Unearned revenue	-	-	-	-	334,969	334,969
Total Liabilities	<u>-</u>	<u>603</u>	<u>-</u>	<u>650</u>	<u>334,969</u>	<u>336,222</u>
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	28	-	-	-	28
Fund Balances						
Restricted for						
Park dedication	67,243	-	-	-	-	67,243
Committed						
Donations	-	-	11,866	-	-	11,866
Cemetery	-	-	-	20,184	-	20,184
Storm Water	-	42,180	-	-	-	42,180
Total Fund Balances	<u>67,243</u>	<u>42,180</u>	<u>11,866</u>	<u>20,184</u>	<u>-</u>	<u>141,473</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 67,243</u>	<u>\$ 42,811</u>	<u>\$ 11,866</u>	<u>\$ 20,834</u>	<u>\$ 334,969</u>	<u>\$ 477,723</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, 2022

	201 Park Dedication	603 Storm Water	830 Donations	230 Cemetery	258 ARPA (Covid) Funds	Total
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 76,915	\$ 76,915
Charges for services	2,500	102,440	-	-	-	104,940
Special assessments	-	85	-	-	-	85
Miscellaneous	-	1,027	9,050	-	-	10,077
Total Revenues	<u>2,500</u>	<u>103,552</u>	<u>9,050</u>	<u>-</u>	<u>76,915</u>	<u>192,017</u>
Expenditures						
Current						
Public works	-	20,750	-	-	-	20,750
Culture and recreation	-	-	7,111	15,350	-	22,461
Capital outlay						
Public safety	-	-	-	-	76,915	76,915
Total Expenditures	<u>-</u>	<u>20,750</u>	<u>7,111</u>	<u>15,350</u>	<u>76,915</u>	<u>120,126</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,500	82,802	1,939	(15,350)	-	71,891
Other Financing Sources (Uses)						
Transfers out	-	(45,395)	-	-	-	(45,395)
Net Change in Fund Balances	2,500	37,407	1,939	(15,350)	-	26,496
Fund Balances, January 1	<u>64,743</u>	<u>4,773</u>	<u>9,927</u>	<u>35,534</u>	<u>-</u>	<u>114,977</u>
Fund Balances, December 31	<u>\$ 67,243</u>	<u>\$ 42,180</u>	<u>\$ 11,866</u>	<u>\$ 20,184</u>	<u>\$ -</u>	<u>\$ 141,473</u>

City of Norwood Young America, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2022

	407	423	424	425	431	498
	TIF 1-5	TIF 3-3	TIF 3-4	TIF 3-5	TIF 3-6	Street Improv. Project
Assets						
Cash and temporary investments	\$ 38,497	\$ 9	\$ 23,985	\$ 24,048	\$ 47,609	\$ 192,652
Receivables						
Accounts	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Less: allowance for forgivable loans	-	-	-	-	-	-
Total Assets	<u>\$ 38,497</u>	<u>\$ 9</u>	<u>\$ 23,985</u>	<u>\$ 24,048</u>	<u>\$ 47,609</u>	<u>\$ 192,652</u>
Liabilities						
Accounts and other payables	\$ 33,250	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	252,686	423,712	45,984	465,796	-
Total Liabilities	<u>33,250</u>	<u>252,686</u>	<u>423,712</u>	<u>45,984</u>	<u>465,796</u>	<u>-</u>
Fund Balances						
Restricted for						
Economic development	5,247	-	-	-	-	-
Capital projects	-	-	-	-	-	62,652
Assigned for						
Capital outlay	-	-	-	-	-	130,000
Unassigned	-	(252,677)	(399,727)	(21,936)	(418,187)	-
Total Fund Balances	<u>5,247</u>	<u>(252,677)</u>	<u>(399,727)</u>	<u>(21,936)</u>	<u>(418,187)</u>	<u>192,652</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,497</u>	<u>\$ 9</u>	<u>\$ 23,985</u>	<u>\$ 24,048</u>	<u>\$ 47,609</u>	<u>\$ 192,652</u>

225	614	496	497	495	278		
Economic Recovery	Cable TV Upgrades	Oak Lane Improvement	Underpass Project	2nd Avenue Lift Station	Land Acquisition	Developers Escrows	Total
\$ 57,920	\$ 11,955	\$ 38,962	\$ (155,654)	\$ 105,293	\$ 267,152	\$ (3,033)	\$ 649,395
189	-	-	-	-	-	-	189
10,000	-	-	-	-	-	-	10,000
(10,000)	-	-	-	-	-	-	(10,000)
<u>\$ 58,109</u>	<u>\$ 11,955</u>	<u>\$ 38,962</u>	<u>\$ (155,654)</u>	<u>\$ 105,293</u>	<u>\$ 267,152</u>	<u>\$ (3,033)</u>	<u>\$ 649,584</u>
\$ -	\$ 123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,373
718	-	-	-	-	-	(3,033)	(2,315)
-	-	-	-	-	-	-	1,188,178
<u>718</u>	<u>123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,033)</u>	<u>1,219,236</u>
-	-	-	-	-	-	-	5,247
-	-	38,962	-	105,293	-	-	206,907
57,391	11,832	-	-	-	267,152	-	466,375
-	-	-	(155,654)	-	-	-	(1,248,181)
<u>57,391</u>	<u>11,832</u>	<u>38,962</u>	<u>(155,654)</u>	<u>105,293</u>	<u>267,152</u>	<u>-</u>	<u>(569,652)</u>
<u>\$ 58,109</u>	<u>\$ 11,955</u>	<u>\$ 38,962</u>	<u>\$ (155,654)</u>	<u>\$ 105,293</u>	<u>\$ 267,152</u>	<u>\$ (3,033)</u>	<u>\$ 649,584</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, 2022

	407	423	424	425	431	498
	TIF 1-5	TIF 3-3	TIF 3-4	TIF 3-5	TIF 3-6	Street Improv. Project
Revenues						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000
Tax increments	68,557	849	49,681	51,772	(751)	-
Interest on investments	-	-	-	-	-	-
Total Revenues	<u>68,557</u>	<u>849</u>	<u>49,681</u>	<u>51,772</u>	<u>(751)</u>	<u>130,000</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Economic development	67,380	1,180	880	880	880	-
Capital outlay						
Public works	-	-	-	-	-	-
Debt service						
Interest and other charges	-	8,714	18,106	3,279	18,331	-
Total Expenditures	<u>67,380</u>	<u>9,894</u>	<u>18,986</u>	<u>4,159</u>	<u>19,211</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,177	(9,045)	30,695	47,613	(19,962)	130,000
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	-
Net Change in Fund Balances	1,177	(9,045)	30,695	47,613	(19,962)	130,000
Fund Balances, January 1	<u>4,070</u>	<u>(243,632)</u>	<u>(430,422)</u>	<u>(69,549)</u>	<u>(398,225)</u>	<u>62,652</u>
Fund Balances, December 31	<u>\$ 5,247</u>	<u>\$ (252,677)</u>	<u>\$ (399,727)</u>	<u>\$ (21,936)</u>	<u>\$ (418,187)</u>	<u>\$ 192,652</u>

225	614	496	497	495	278		
<u>Economic Recovery</u>	<u>Cable TV Upgrades</u>	<u>Oak Lane Improvement</u>	<u>Underpass Project</u>	<u>2nd Avenue Lift Station</u>	<u>Land Acquisition</u>	<u>Developer Escrows</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000
-	-	-	-	-	-	-	170,108
226	-	-	-	-	-	-	226
<u>226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,334</u>
-	3,679	-	-	-	-	-	3,679
20,067	-	-	-	-	-	-	91,267
-	-	20,366	-	18,638	-	-	39,004
-	-	-	-	-	-	-	48,430
<u>20,067</u>	<u>3,679</u>	<u>20,366</u>	<u>-</u>	<u>18,638</u>	<u>-</u>	<u>-</u>	<u>182,380</u>
(19,841)	(3,679)	(20,366)	-	(18,638)	-	-	117,954
-	-	-	-	-	267,152	-	267,152
(19,841)	(3,679)	(20,366)	-	(18,638)	267,152	-	385,106
<u>77,232</u>	<u>15,511</u>	<u>59,328</u>	<u>(155,654)</u>	<u>123,931</u>	<u>-</u>	<u>-</u>	<u>(954,758)</u>
<u>\$ 57,391</u>	<u>\$ 11,832</u>	<u>\$ 38,962</u>	<u>\$ (155,654)</u>	<u>\$ 105,293</u>	<u>\$ 267,152</u>	<u>\$ -</u>	<u>\$ (569,652)</u>

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City of Norwood Young America, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 1,621,558	\$ 1,621,558	\$ 1,519,172	\$ (102,386)	\$ 1,660,440
Licenses and permits					
Business	11,100	11,100	10,429	(671)	19,009
Nonbusiness	99,300	99,300	96,968	(2,332)	88,849
Total licenses and permits	110,400	110,400	107,397	(3,003)	107,858
Intergovernmental					
State					
Market value credit	275	275	265	(10)	283
Local government aid	420,000	420,000	500,909	80,909	489,911
Other	2,087	2,087	10,860	8,773	49,243
County					
Recycling	4,200	4,200	5,055	855	4,259
Highway aid	9,000	9,000	36,969	27,969	18,609
Other	17,000	17,000	17,232	232	16,421
Total intergovernmental	452,562	452,562	571,290	118,728	578,726
Charges for services					
General government	18,200	18,200	18,506	306	16,708
Public safety	76,500	76,500	75,565	(935)	74,784
Public works	2,900	2,900	1,900	(1,000)	2,310
Culture and recreation	59,000	59,000	73,637	14,637	61,918
Other	-	-	498	498	-
Total charges for services	156,600	156,600	170,106	13,506	155,720
Fines and forfeitures	10,000	10,000	13,123	3,123	10,191
Special assessments	-	-	449	449	11,195
Interest on investments	25,000	25,000	31,412	6,412	(9,966)
Miscellaneous					
Park dedications fees	-	-	5,016	5,016	-
Contributions and donations	7,000	7,000	7,925	925	11,800
Refunds and reimbursements	20,000	20,000	43,563	23,563	42,025
Other	6,000	6,000	98,657	92,657	29,696
Total miscellaneous	33,000	33,000	155,161	122,161	83,521
Total Revenues	2,409,120	2,409,120	2,568,110	158,990	2,597,685

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 17,700	\$ 17,700	\$ 17,698	\$ 2	\$ 17,600
Supplies	800	800	433	367	175
Other services and charges	4,200	4,200	5,159	(959)	3,275
Total Mayor and Council	22,700	22,700	23,290	(590)	21,050
City administrator/administration					
Personal services	105,000	105,000	118,650	(13,650)	82,131
Supplies	-	-	1,230	(1,230)	-
Other services and charges	3,020	3,020	2,960	60	25,887
Total city administrator/administration	108,020	108,020	122,840	(14,820)	108,018
Community development director					
Personal services	30,900	30,900	36,974	(6,074)	24,912
Other services and charges	38,400	38,400	47,691	(9,291)	33,338
Total community development director	69,300	69,300	84,665	(15,365)	58,250
Board and commissions					
Other services and charges	5,200	5,200	3,000	2,200	4,610
City clerk-treasurer					
Personal services	114,500	114,500	137,585	(23,085)	99,483
Supplies	8,800	8,800	13,369	(4,569)	7,620
Other services and charges	57,700	57,700	75,406	(17,706)	62,106
Total city clerk-treasurer	181,000	181,000	226,360	(45,360)	169,209
Election					
Supplies	500	500	343	157	-
Other services and charges	8,300	8,300	4,710	3,590	953
Total election	8,800	8,800	5,053	3,747	953
Auditing and accounting					
Other services and charges	39,000	39,000	31,225	7,775	38,650
Assessing					
Other services and charges	24,500	24,500	25,078	(578)	24,583

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Legal services					
Other services and charges	\$ 39,000	\$ 39,000	\$ 49,014	\$ (10,014)	\$ 24,301
Professional services - miscellaneous					
Other services and charges	8,000	8,000	2,900	5,100	16,335
General government buildings					
Personal services	15,600	15,600	18,022	(2,422)	16,867
Supplies	60,500	60,500	64,719	(4,219)	75,526
Other services and charges	56,200	56,200	70,261	(14,061)	56,364
Total general government buildings	132,300	132,300	153,002	(20,702)	148,757
Total general government	637,820	637,820	726,427	(88,607)	614,716
Public safety					
Police					
Contracted services	201,200	201,200	196,659	4,541	198,425
Fire					
Personal services	95,100	95,100	95,930	(830)	89,202
Supplies	72,300	72,300	69,110	3,190	68,107
Other services and charges	44,700	44,700	39,507	5,193	35,476
Total fire	212,100	212,100	204,547	7,553	192,785
Building inspection					
Other services and charges	45,900	45,900	71,899	(25,999)	30,900
Civil defense					
Supplies	1,500	1,500	-	1,500	369
Other services and charges	300	300	191	109	140
Total	1,800	1,800	191	1,609	509
Animal control					
Other services and charges	1,100	1,100	1,659	(559)	68
Total public safety	462,100	462,100	474,955	(12,855)	422,687

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
General					
Personal services	\$ 278,000	\$ 278,000	\$ 295,082	\$ (17,082)	\$ 264,523
Supplies	192,300	192,300	141,134	51,166	118,148
Other services and charges	218,900	218,900	307,210	(88,310)	239,117
Total general	689,200	689,200	743,426	(54,226)	621,788
Engineering					
Other services and charges	23,000	23,000	23,938	(938)	17,452
Total public works	712,200	712,200	767,364	(55,164)	639,240
Culture and recreation					
Parks					
Personal services	128,500	128,500	136,735	(8,235)	126,117
Supplies	48,200	48,200	27,305	20,895	46,569
Other services and charges	63,200	63,200	59,830	3,370	64,154
Total parks	239,900	239,900	223,870	16,030	236,840
Library					
Other services and charges	15,200	15,200	22,954	(7,754)	15,588
Swimming pool					
Personal services	30,100	30,100	38,149	(8,049)	37,203
Supplies	18,300	18,300	15,760	2,540	14,634
Other services and charges	11,400	11,400	9,673	1,727	6,370
Total swimming pool	59,800	59,800	63,582	(3,782)	58,207
Bus services					
Personal services	17,000	17,000	9,207	7,793	10,049
Supplies	6,000	6,000	3,418	2,582	2,694
Other services and charges	3,500	3,500	1,061	2,439	6,791
Total bus services	26,500	26,500	13,686	12,814	19,534
Total culture and recreation	341,400	341,400	324,092	17,308	330,169
Economic development					
Personal services	94,500	94,500	120,693	(26,193)	90,443
Supplies	500	500	70	430	500
Other services and charges	51,500	51,500	51,388	112	28,307
Total economic development	146,500	146,500	172,151	(25,651)	119,250
Miscellaneous					
Cemetery					
Other services and charges	16,000	16,000	-	16,000	16,950
Total current	2,316,020	2,316,020	2,464,989	(148,969)	2,143,012

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

	2022			2021
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Capital outlay				
General government	\$ 2,600	\$ 2,600	\$ 2,546	\$ 2,546
Public safety	12,000	12,000	12,450	26,629
Public works	40,000	40,000	-	22,850
Culture and recreation	-	-	14,244	12,172
Economic development	-	-	-	7,800
Total capital outlay	<u>54,600</u>	<u>54,600</u>	<u>29,240</u>	<u>71,997</u>
Total Expenditures	<u>2,370,620</u>	<u>2,370,620</u>	<u>2,494,229</u>	<u>2,215,009</u>
Excess of Revenues				
Over Expenditures	<u>38,500</u>	<u>38,500</u>	<u>73,881</u>	<u>382,676</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	37,142	-
Transfers in	10,000	10,000	-	-
Transfers out	<u>(48,500)</u>	<u>(48,500)</u>	<u>-</u>	<u>(845,777)</u>
Total Other Financing Sources (Uses)	<u>(38,500)</u>	<u>(38,500)</u>	<u>37,142</u>	<u>(845,777)</u>
Net Change in Fund Balances	-	-	111,023	(463,101)
Fund Balances, January 1	<u>2,040,249</u>	<u>2,040,249</u>	<u>2,040,249</u>	<u>2,503,350</u>
Fund Balances, December 31	<u>\$ 2,040,249</u>	<u>\$ 2,040,249</u>	<u>\$ 2,151,272</u>	<u>\$ 2,040,249</u>

City of Norwood Young America, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2022

	517	520	521	522
		2013B	2016A	2020A
	Oak Grove	Infrastructure	G.O. Refunding	G.O. Refunding
	<u>Debt Service</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Debt Service</u>
Assets				
Cash and temporary investments	\$ 305,968	\$ 66,964	\$ 227,872	\$ 1,183,630
Receivables				
Special assessments	-	24,919	8,488	105,090
Due from other governments	-	207	-	957
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 305,968</u>	<u>\$ 92,090</u>	<u>\$ 236,360</u>	<u>\$ 1,289,677</u>
Liabilities				
Deposits payable	\$ -	\$ -	\$ -	\$ 49,477
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	24,724	8,488	105,090
Fund Balances				
Restricted for				
Debt service	<u>305,968</u>	<u>67,366</u>	<u>227,872</u>	<u>1,135,110</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 305,968</u>	<u>\$ 92,090</u>	<u>\$ 236,360</u>	<u>\$ 1,289,677</u>

523 2021A G.O. Infrastructure Debt Service	524 2022A G.O. Infrastructure Debt Service	Total
\$ 145,584	\$ 84,846	\$ 2,014,864
229,201	308,148	675,846
-	-	1,164
<u>\$ 374,785</u>	<u>\$ 392,994</u>	<u>\$ 2,691,874</u>
\$ -	\$ -	\$ 49,477
229,201	308,148	675,651
<u>145,584</u>	<u>84,846</u>	<u>1,966,746</u>
<u>\$ 374,785</u>	<u>\$ 392,994</u>	<u>\$ 2,691,874</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, 2022

	517	520	521	522
		2013B	2016A	2020A
	<u>Oak Grove Debt Service</u>	<u>Infrastructure Debt Service</u>	<u>G.O. Refunding Debt Service</u>	<u>G.O. Refunding Debt Service</u>
Revenues				
Property taxes	\$ 141,013	\$ -	\$ 144,592	\$ 450,169
Special assessments	-	22,853	8,448	40,311
Total Revenues	<u>141,013</u>	<u>22,853</u>	<u>153,040</u>	<u>490,480</u>
Expenditures				
Debt service				
Principal	105,000	-	110,000	685,072
Interest and other	36,013	-	38,000	149,736
Total Expenditures	<u>141,013</u>	<u>-</u>	<u>148,000</u>	<u>834,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>22,853</u>	<u>5,040</u>	<u>(344,328)</u>
Other Financing Sources				
Bonds issued	-	-	-	-
Sale of capital assets	-	-	-	248,114
Transfers in	-	-	12,493	341,015
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>12,493</u>	<u>589,129</u>
Net Change in Fund Balances	-	22,853	17,533	244,801
Fund Balances, January 1	<u>305,968</u>	<u>44,513</u>	<u>210,339</u>	<u>890,309</u>
Fund Balances, December 31	<u>\$ 305,968</u>	<u>\$ 67,366</u>	<u>\$ 227,872</u>	<u>\$ 1,135,110</u>

523	524	
2021A	2022A	
G.O. Infrastructure	G.O. Infrastructure	
Debt Service	Debt Service	Total
\$ 70,772	\$ -	\$ 806,546
26,757	54,110	152,479
<u>97,529</u>	<u>54,110</u>	<u>959,025</u>
-	-	900,072
12,863	-	236,612
<u>12,863</u>	<u>-</u>	<u>1,136,684</u>
84,666	54,110	(177,659)
-	30,736	30,736
-	-	248,114
13,414	-	366,922
<u>13,414</u>	<u>30,736</u>	<u>645,772</u>
98,080	84,846	468,113
47,504	-	1,498,633
<u>\$ 145,584</u>	<u>\$ 84,846</u>	<u>\$ 1,966,746</u>

City of Norwood Young America, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2022

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 3,268,026	\$ 3,434,378	(4.84) %
Special assessments	153,013	148,643	2.94
Licenses and permits	107,397	107,858	(0.43)
Intergovernmental	648,205	641,378	1.06
Charges for services	276,314	268,632	2.86
Fines and forfeitures	13,123	10,191	28.77
Interest on investments	80,068	44,829	78.61
Miscellaneous	174,383	176,114	(0.98)
	<u>\$ 4,720,529</u>	<u>\$ 4,832,023</u>	(2.31) %
Total Revenues			
Per Capita	\$ 1,183	\$ 1,251	(5.46) %
Expenditures			
Current			
General government	\$ 730,106	\$ 616,336	18.46 %
Public safety	474,955	422,687	12.37
Public works	788,114	662,470	18.97
Culture and recreation	346,553	340,566	1.76
Economic development	263,418	228,225	15.42
Miscellaneous	-	16,950	(100.00)
Capital outlay			
General government	2,546	2,546	-
Public safety	89,712	89,954	(0.27)
Public works	1,475,266	1,358,511	8.59
Culture and recreation	197,674	12,172	1,524.01
Economic development	-	9,348	(100.00)
Debt service			
Principal	924,248	1,555,066	(40.57)
Interest and other charges	338,182	364,694	(7.27)
	<u>\$ 5,630,774</u>	<u>\$ 5,679,525</u>	(0.86) %
Total Expenditures			
Per Capita	\$ 1,411	\$ 1,470	(4.06) %
Total Long-term Indebtedness	\$ 8,751,823	\$ 7,786,895	12.39 %
Per Capita	2,192	2,016	8.76
General Fund Balance - December 31	\$ 2,151,272	\$ 2,040,249	5.44 %
Per Capita	539	528	2.04

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 Angela Brumbaugh, 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, 2022

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwood Young America, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2023.

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

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



Abdo
Minneapolis, Minnesota
July 7, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified 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 deficiency described in the accompanying schedule of findings and response as finding 2022-001 to be a significant deficiency.

Compliance and Other Matters

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

The City's Responses to the Findings

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
July 7, 2023



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City of Norwood Young America, Minnesota

Schedule of Findings and Responses
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	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.