Annual Financial Report

City of Le Center

Le Center, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

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INTRODUCTORY SECTION

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Le Center, Minnesota

Elected and Appointed Officials

For the Year Ended December 31, 2022

ELECTED

Name	Title	Term Expires
Josh Fredrickson	Mayor	12/31/22
Christian Harmeyer	Council	12/31/24
Jennifer Weiers	Council	12/31/22
Nathan Hintz	Council	12/31/22
Collin Scott	Council	12/31/24

APPOINTED

Dan Evans	City Administrator	
Debbie Kopet	Deputy Clerk	
Tara Nusbaum	Secretary	

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FINANCIAL SECTION

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Le Center, Minnesota

Report on the Financial Statements

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 Le Center, 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 budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Change in Accounting Principle

As described in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Lease, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

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 Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, 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, 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 accompanying combining, 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 May 19, 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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Mankato, Minnesota
May 19, 2023

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Management's Discussion and Analysis

As management of the City of Le Center, 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 of the City exceeded its liabilities and deferred inflows 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 majority of this increase attributable to an increase in charges for services and miscellaneous revenue related to the sale of land.

- 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 decreased in comparison with the prior year. This decrease was mainly due to an increase in public safety and streets and highways personal service expenditures during the year. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

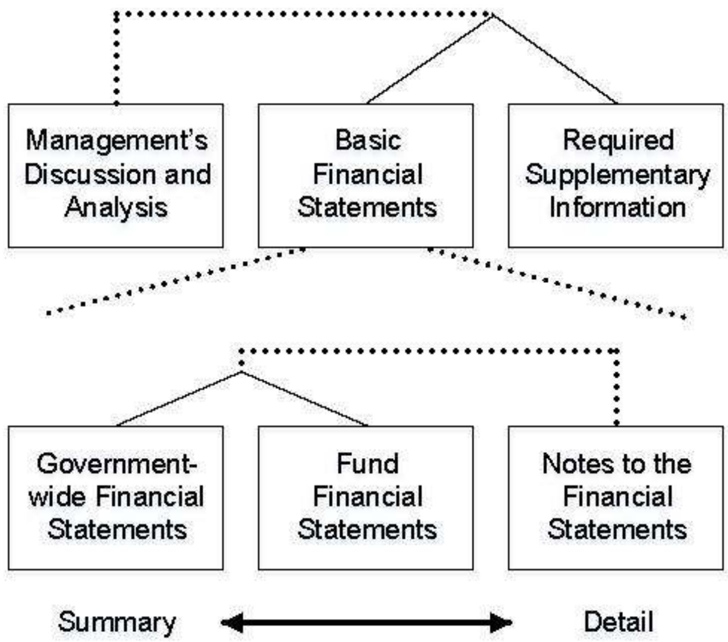


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• 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 liabilities, with the difference between the two 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, streets and highway, culture and recreation and economic development. The business-type activities of the City include water utility, sewer utility, refuse and a municipal liquor store operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting 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 governments, 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 thirteen individual governmental funds, six of which are Debt Service funds which are considered one fund for reporting purposes. 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 and the Debt Service funds, all of which are considered to be major funds. Data from the other nonmajor 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. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found staring on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *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 utility, sewer utility, municipal liquor, and refuse.

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 can be found starting 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 can be found starting on page 45 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found staring on page 82 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 outflow of resources exceeded liabilities and deferred inflow of resources as shown in the summary of net position table below at the close of the most recent fiscal year.

A large 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 are 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 Le Center's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Current and Other Assets	$ 4,848,923	$ 5,025,803	$ (176,880)	$ 1,812,414	$ 1,073,570	$ 738,844
Capital Assets	8,490,521	8,547,299	(56,778)	8,057,676	8,223,755	(166,079)
Total Assets	13,339,444	13,573,102	(233,658)	9,870,090	9,297,325	572,765
Deferred Outflows of Resources						
Pension resources	747,982	414,172	333,810	97,404	125,233	(27,829)
Long-term Liabilities Outstanding	8,421,534	8,077,803	343,731	4,438,433	4,858,419	(419,986)
Other Liabilities	366,385	510,581	(144,196)	85,325	74,816	10,509
Total Liabilities	8,787,919	8,588,384	199,535	4,523,758	4,933,235	(409,477)
Deferred Inflows of Resources						
Pension resources	38,632	590,463	(551,831)	4,548	163,752	(159,204)
Lease receivable	104,032	-	104,032	773,053	-	773,053
Total Deferred Inflows of Resources	142,664	590,463	(447,799)	777,601	163,752	613,849
Net Investment in Capital Assets	1,456,922	1,114,235	342,687	3,954,319	3,561,106	393,213
Restricted	2,327,891	2,422,535	(94,644)	-	-	-
Unrestricted	1,372,030	1,271,657	100,373	711,816	764,465	(52,649)
Total Net Position	$ 5,156,843	$ 4,808,427	$ 348,416	$ 4,666,135	$ 4,325,571	$ 340,564

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

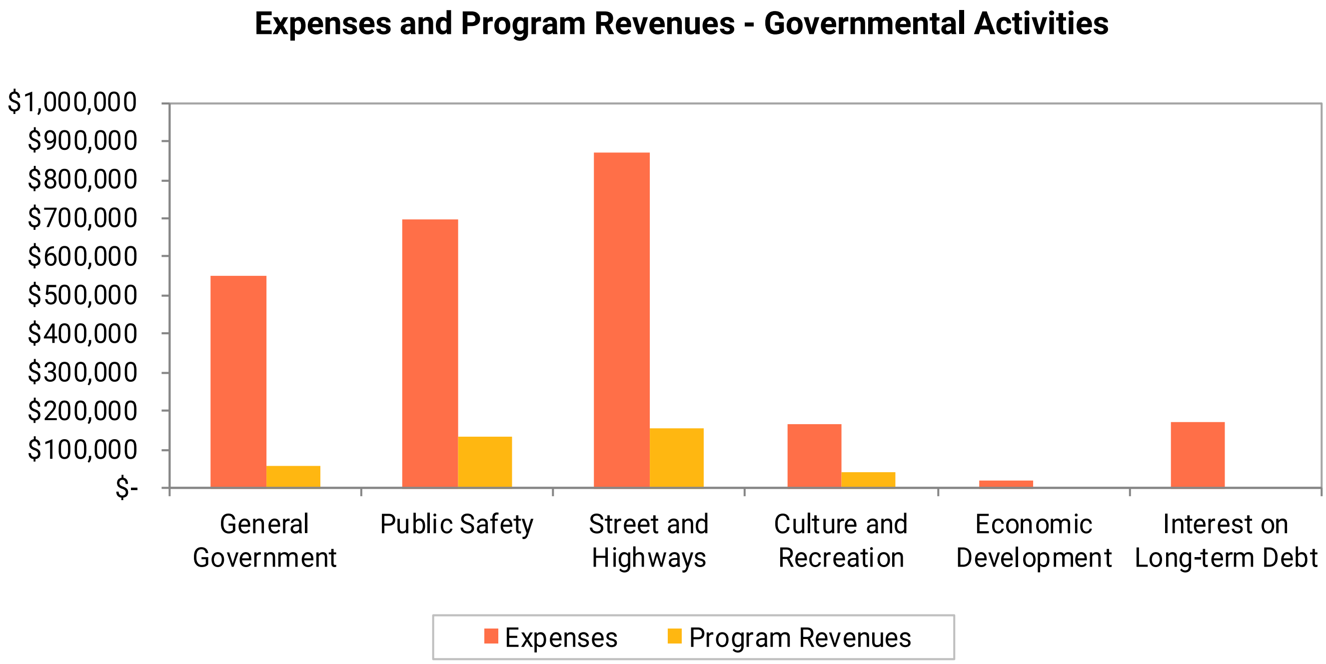
Governmental Activities. Governmental activities increased the City's net position as shown below. Key elements of this increase are as follows:

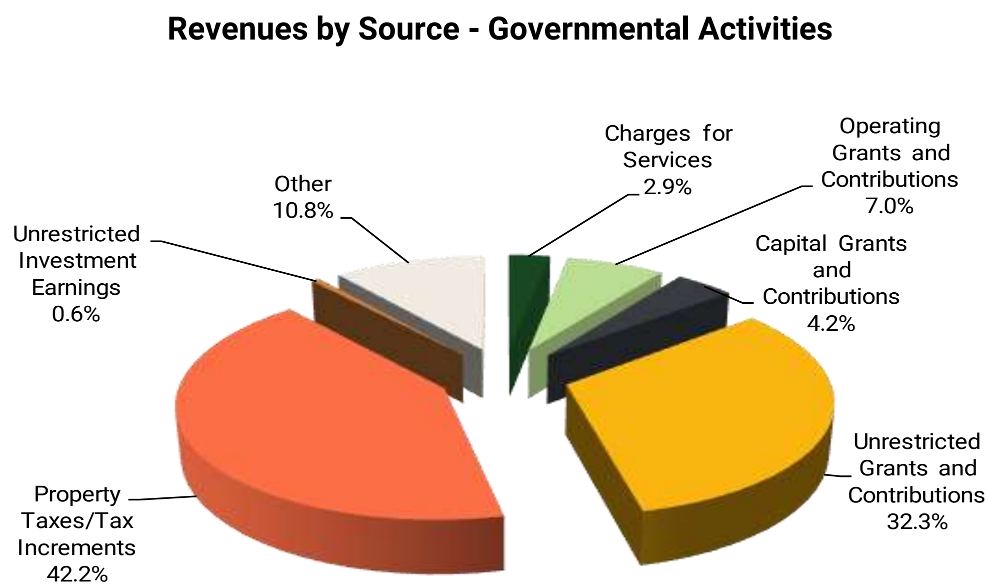
City of Le Center's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 75,964	$ 46,447	$ 29,517	$ 2,580,059	$ 2,453,439	$ 126,620
Operating grants and contributions	193,399	234,658	(41,259)	1,408	434	974
Capital grants and contributions	115,923	757,391	(641,468)	-	-	-
General revenues						
Property taxes/tax increments	1,159,079	1,138,286	20,793	-	-	-
Grants and contributions not restricted to specific programs	886,133	936,246	(50,113)	-	-	-
Unrestricted investment earnings	16,971	7,900	9,071	1,043	540	503
Gain on sale of fixed assets	283,643	82,306	201,337	110,285	530	109,755
Other	12,365	1,654	10,711	16,718	-	16,718
Total Revenues	2,743,477	3,204,888	(461,411)	2,709,513	2,454,943	254,570
Expenses						
General government	553,355	498,524	54,831	-	-	-
Public safety	698,466	498,705	199,761	-	-	-
Streets and highways	870,675	790,496	80,179	-	-	-
Culture and recreation	164,619	134,763	29,856	-	-	-
Economic development	20,026	48,367	(28,341)	-	-	-
Interest on long-term debt	172,032	187,102	(15,070)	-	-	-
Water utility	-	-	-	467,604	474,311	(6,707)
Sewer utility	-	-	-	592,443	562,611	29,832
Refuse and recycling	-	-	-	180,991	182,819	(1,828)
Municipal liquor store	-	-	-	1,131,628	1,049,760	81,868
Total Expenses	2,479,173	2,157,957	321,216	2,372,666	2,269,501	103,165
Increase (Decrease) in Net Position Before Transfers	264,304	1,046,931	(782,627)	336,847	185,442	151,405
Transfers	(3,717)	(655,961)	652,244	3,717	655,961	(652,244)
Change in Net Position	260,587	390,970	(130,383)	340,564	841,403	(500,839)
Net Position - January 1	4,808,427	4,417,457	390,970	4,325,571	3,484,168	841,403
Prior Period Adjustment	87,829	-	87,829	-	-	-
Net Position - December 31	$ 5,156,843	$ 4,808,427	$ 348,416	$ 4,666,135	$ 4,325,571	$ 340,564

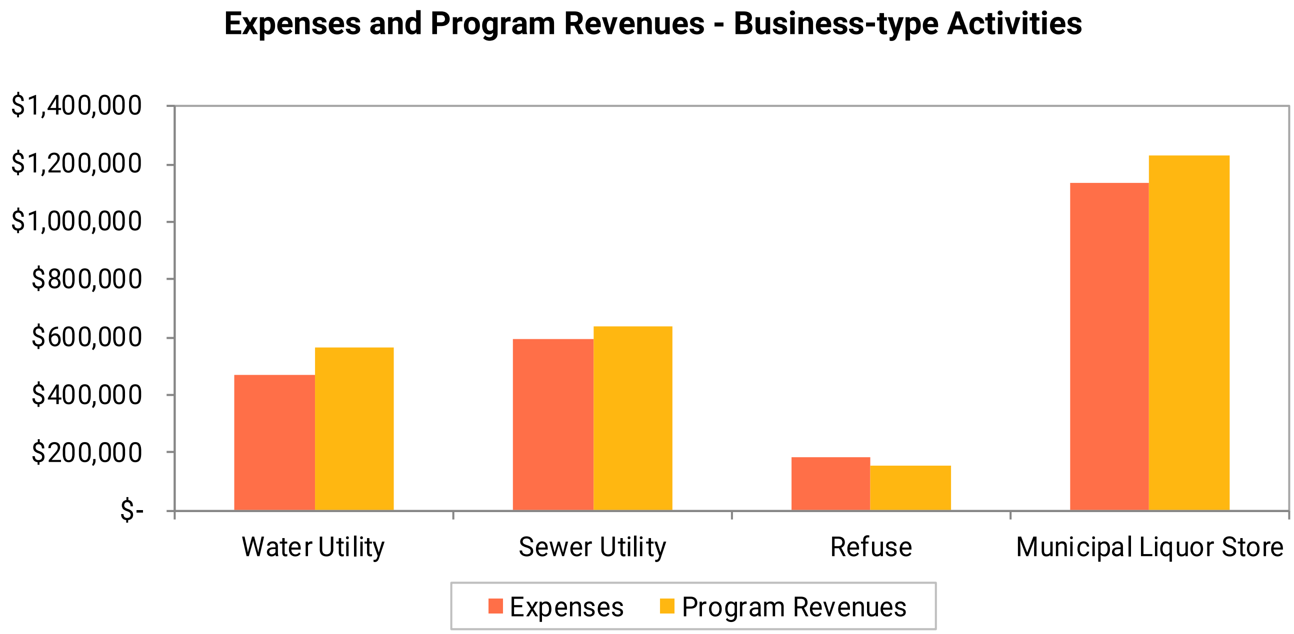
General government other revenues increased due to a sale of land. Public safety expenditures increased due to an increase is salaries and benefits. Business-type activities charges for services increased due largely to increased municipal liquor store revenues.

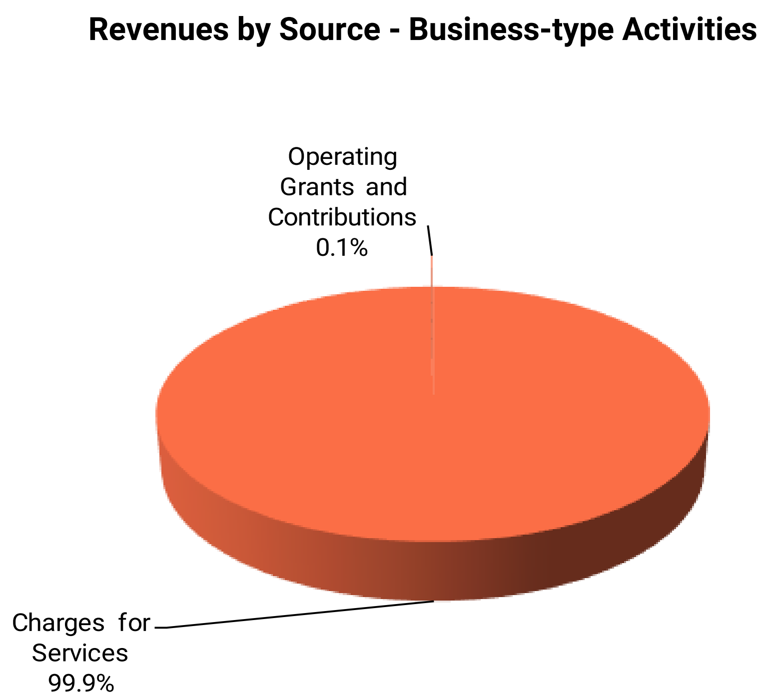
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.





Business-Type Activities. Business-type activities increased the City's net position as shown in the changes in net position table due to increased charges for services and sale of fixed assets.





Financial Analysis of the City'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 Fund	Debt Service Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	$ 25,047	$ -	$ -	$ 25,047	$ 18,699	$ 6,348
Restricted for	100,000	1,259,734	-	1,359,734	1,500,418	(140,684)
Committed for	-	-	954,449	954,449	482,576	471,873
Assigned for	-	-	-	-	117,500	(117,500)
Unassigned	1,056,462	-	-	1,056,462	1,274,149	(217,687)
	$ 1,181,509	$ 1,259,734	$ 954,449	$ 3,395,692	$ 3,393,342	$ 2,350

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 above. 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	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	$ 25,047	$ 18,699	$ 6,348
Restricted for	100,000	144,576	(44,576)
Assigned for	-	117,500	(117,500)
Unassigned	1,056,462	1,274,524	(218,062)
	$ 1,181,509	$ 1,555,299	$ (373,790)
General Fund expenditures	$ 2,086,477	$ 1,721,286	
Unassigned as a percent of expenditures	50.6%	74.0%	
Total Fund Balance as a percent of expenditures	56.6%	90.4%	

The fund balance of the City's General fund decreased during the current fiscal year as shown in the table above. The key factor in this decrease was increased personal service expenditures and transfers out.

Other major governmental fund analysis is shown below:

	December 31, 2022	December 31, 2021	Increase (Decrease)
Debt Service fund	$ 1,259,734	$ 1,168,522	$ 91,212

The Debt Service fund increase in fund balance during the year was due to the collection of taxes and assessments during the current year.

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 increased or (decreased) as follows:

	Ending Net Position 2022	Ending Net Position 2021	Increase/ (Decrease)
Water Utility	$ 2,286,068	$ 2,139,404	$ 146,664
The increase primarily is attributed to the collection of charges for services during the year.			
Sewer Utility	$ 1,674,588	$ 1,488,807	$ 185,781
The increase primarily is attributed to a gain on the sale of capital assets during the year.			
Municipal Liquor Store	$ 590,133	$ 553,200	$ 36,933
The increase primarily is attributed to increased sales during the year.			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 1,642,304	$ -	$ 1,642,304	$ 1,750,761	$ 108,457
Expenditures	1,910,600	-	1,910,600	2,086,477	(175,877)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(268,296)	-	(268,296)	(335,716)	(67,420)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	283,643	283,643
Transfers in	60,000	-	60,000	78,283	18,283
Transfers out	-	-	-	(400,000)	(400,000)
Total Other Financing Sources (Uses)	60,000		60,000	(38,074)	(98,074)
Net Change in Fund Balances	(208,296)	-	(208,296)	(373,790)	(165,494)
Fund Balances, January 1	1,555,299	-	1,555,299	1,555,299	-
Fund Balances, December 31	$ 1,347,003	$ -	$ 1,347,003	$ 1,181,509	$ (165,494)

The City's General fund budget was not amended during the year. Revenues and expenses were over budget as shown above mainly due to an unbudgeted sale of land and increases to personal services expenditures in the general government, public safety and streets and highways departments.

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 in the capital asset table below (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year is mainly due to the disposal of assets during the year.

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

- The City has completed the 2020 Street project with current year costs of $202,297.
- The City spent a total cost of $124,902 on the purchase of two Bobcat T66 HR track loaders.
- The liquor store spent $38,645 on the purchase of a new cooler.
- The police department spent $36,189 on the purchase of a 2022 police interceptor.
- The City spent $10,451 on a new scoreboard for North Park.

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

City of Le Center's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	$ 332,459	$ 332,459	$ -	$ 248,521	$ 248,521	$ -
Construction in Progress	-	2,903,067	(2,903,067)	-	1,255,178	(1,255,178)
Buildings and Improvements	47,102	38,375	8,727	271,740	301,017	(29,277)
Systems and Infrastructure	7,840,452	5,039,844	2,800,608	7,017,520	5,982,909	1,034,611
Equipment and Machinery	270,508	233,554	36,954	519,895	436,130	83,765
Total	$ 8,490,521	$ 8,547,299	$ (56,778)	$ 8,057,676	$ 8,223,755	$ (166,079)

Long-term Debt. At the end of the current fiscal year, the City had bonded debt outstanding including general obligation improvement bonds and general obligation revenue bonds. 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 Le Center's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
G.O. Special Assessment Bonds	$ 6,802,394	$ 7,345,716	$ (543,322)	$ 3,920,892	$ 4,438,570	$ (517,678)
G.O. Revenue Bonds	-	-	-	43,891	64,887	(20,996)
Financed Purchase Agreements	67,731	99,509	(31,778)	123,169	-	123,169
Total	$ 6,870,125	$ 7,445,225	$ (575,100)	$ 4,087,952	$ 4,503,457	$ (415,505)

The City's total debt decreased during the current fiscal year as shown in the table above. This decrease related to the regular annual repayment of bonds and financed purchase agreements.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. The current debt limitation for the City is $4,924,560. The City currently has no general obligation debt subject to this limit.
Additional information on the City's long-term debt can be found in Note 3F starting on page 59 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Le Sueur County is currently 5.8 percent, which is an increase from a rate of 4.3 percent a year ago. This does not compare favorably to the State's average unemployment rate of 3.2 percent. The national average rate of 3.3 percent.

- Property valuations within the City remain strong.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2023 fiscal year.

Property taxes will increase in 2023 by approximately 11 percent to meet operational needs and future planning.

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 Administrator/Clerk/Treasurer, City of Le Center, 10 W. Tyrone Street, Le Center, MN 56057.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Le Center, Minnesota
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	$ 3,510,176	$ 659,002	$ 4,169,178
Receivables			
Delinquent taxes	14,291	-	14,291
Accounts	1,128	160,147	161,275
Interest	202	1,093	1,295
Leases	104,583	786,412	890,995
Notes	119,926	-	119,926
Special assessments	1,040,607	-	1,040,607
Intergovernmental	33,514	-	33,514
Inventories	-	197,070	197,070
Prepaids	24,496	8,690	33,186
Capital assets			
Nondepreciable land and construction in progress	332,459	248,521	580,980
Depreciable assets (net of accumulated depreciation)	8,158,062	7,809,155	15,967,217
Total Assets	13,339,444	9,870,090	23,209,534
Deferred Outflow of Resources			
Deferred pension resources	747,982	97,404	845,386
Liabilities and Net Position			
Liabilities			
Accounts payable	17,391	35,917	53,308
Due to other governments	1,956	11,803	13,759
Accrued interest payable	72,084	37,605	109,689
Unearned revenue	274,954	-	274,954
Noncurrent liabilities			
Due within one year			
Long-term liabilities	597,826	563,256	1,161,082
Due in more than one year			
Long-term liabilities	6,543,402	3,554,953	10,098,355
Net pension liability	1,280,306	320,224	1,600,530
Total Liabilities	8,787,919	4,523,758	13,311,677
Deferred inflow of resources			
Deferred pension resources	38,632	4,548	43,180
Deferred lease receivable	104,032	773,053	877,085
Total Deferred Inflows of Resources	142,664	777,601	920,265
Net Position			
Net investment in capital assets	1,456,922	3,954,319	5,411,241
Restricted for			
Senior center/recreation	100,000	-	100,000
Debt service	2,227,891	-	2,227,891
Unrestricted	1,372,030	711,816	2,083,846
Total Net Position	$ 5,156,843	$ 4,666,135	$ 9,822,978

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

City of Le Center, Minnesota
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 553,355	$ 15,041	$ 41,090	$ -
Public safety	698,466	56,673	77,544	-
Streets and highways	870,675	4,050	33,611	115,923
Culture and recreation	164,619	200	41,154	-
Economic development	20,026	-	-	-
Interest on long-term debt	172,032	-	-	-
Total Governmental Activities	2,479,173	75,964	193,399	115,923
Business-type Activities				
Water utility	467,604	566,022	209	-
Sewer utility	592,443	635,035	506	-
Refuse	180,991	152,061	116	-
Municipal liquor store	1,131,628	1,226,941	577	-
Total Business-type Activities	2,372,666	2,580,059	1,408	-
Total	$ 4,851,839	$ 2,656,023	$ 194,807	$ 115,923

General Revenues
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets

Transfers
- Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Prior period adjustment (Note 7)

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (497,224)	$ -	$ (497,224)
(564,249)	-	(564,249)
(717,091)	-	(717,091)
(123,265)	-	(123,265)
(20,026)	-	(20,026)
(172,032)	-	(172,032)
(2,093,887)	-	(2,093,887)
-	98,627	98,627
-	43,098	43,098
-	(28,814)	(28,814)
-	95,890	95,890
-	208,801	208,801
(2,093,887)	208,801	(1,885,086)
602,494	-	602,494
556,585	-	556,585
886,133	-	886,133
16,971	1,043	18,014
12,365	16,718	29,083
283,643	110,285	393,928
(3,717)	3,717	-
2,354,474	131,763	2,486,237
260,587	340,564	601,151
4,808,427	4,325,571	9,133,998
87,829	-	87,829
$ 5,156,843	$ 4,666,135	$ 9,822,978

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

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FUND FINANCIAL STATEMENTS

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Le Center, Minnesota
Balance Sheet
Governmental Funds
December 31, 2022

	General	**300's** Debt Service Fund	Other Governmental Funds	Totals
Assets				
Cash and temporary investments	$ 1,491,061	$ 1,258,963	$ 760,152	$ 3,510,176
Receivables				
Delinquent taxes	14,291	-	-	14,291
Accounts	1,128	-	-	1,128
Interest	202	-	-	202
Leases	104,583	-	-	104,583
Notes	-	-	119,926	119,926
Special assessments				
Delinquent	366	1,271	-	1,637
Deferred	-	1,038,970	-	1,038,970
Intergovernmental	32,743	771	-	33,514
Due from other funds	-	-	350,000	350,000
Prepaid items	24,496	-	-	24,496
Total Assets	$ 1,668,870	$ 2,299,975	$ 1,230,078	$ 5,198,923
Liabilities				
Accounts payable	$ 16,716	$ -	$ 675	$ 17,391
Due to other funds	350,000	-	-	350,000
Due to other governments	1,956	-	-	1,956
Unearned revenue	-	-	274,954	274,954
Total Liabilities	368,672	-	275,629	644,301
Deferred Inflows of Resources				
Unavailable revenue - taxes	14,291	-	-	14,291
Unavailable revenue - special assessments	366	1,040,241	-	1,040,607
Deferred lease receivable	104,032	-	-	104,032
Total Deferred Inflows of Resources	118,689	1,040,241	-	1,158,930
Fund Balances				
Nonspendable for				
Prepaid items	25,047	-	-	25,047
Restricted for				
Senior center/recreation	100,000	-	-	100,000
Debt service	-	1,259,734	-	1,259,734
Committed				
Capital improvements	-	-	400,000	400,000
Economic development	-	-	554,449	554,449
Unassigned	1,056,462	-	-	1,056,462
Total Fund Balances	1,181,509	1,259,734	954,449	3,395,692
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,668,870	$ 2,299,975	$ 1,230,078	$ 5,198,923

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

City of Le Center, 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 position are different because

Total Fund Balances - Governmental Funds	$ 3,395,692
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	8,490,521
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated absences	(107,629)
Bonds payable	(6,802,394)
Bond premiums, net of accumulated amortization	(163,474)
Net pension liability	(1,280,306)
Capital lease payable	(67,731)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	747,982
Deferred inflows of pension resources	(38,632)
Long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Delinquent property taxes receivable	14,291
Special assessments receivable	1,040,607
Governmental funds do not report a liability for accrued interest until due and payable.	(72,084)
Total Net Position - Governmental Activities	$ 5,156,843

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

City of Le Center, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	300's Debt Service Fund	Other Governmental Funds	Totals
Revenues				
Taxes	$ 616,743	$ 556,585	$ -	$ 1,173,328
Special assessments	1,301	260,721	-	262,022
Licenses and permits	62,073	-	-	62,073
Intergovernmental	945,320	-	-	945,320
Charges for services	36,416	-	-	36,416
Fines and forfeits	49,678	-	-	49,678
Investment earnings	5,590	-	11,381	16,971
Miscellaneous	33,640	-	14,612	48,252
Total Revenues	1,750,761	817,306	25,993	2,594,060
Expenditures				
Current				
General government	549,857	-	-	549,857
Public safety	632,765	-	-	632,765
Streets and highways	560,423	-	-	560,423
Culture and recreation	146,072	-	-	146,072
Economic development	-	-	8,315	8,315
Capital outlay				
Public safety	81,084	-	-	81,084
Streets and highways	-	-	202,296	202,296
Culture and recreation	79,792	-	-	79,792
Debt service				
Principal	31,778	543,322	-	575,100
Interest and other	4,706	182,772	-	187,478
Total Expenditures	2,086,477	726,094	210,611	3,023,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	(335,716)	91,212	(184,618)	(429,122)
Other Financing Sources (Uses)				
Sale of capital assets	283,643	-	-	283,643
Transfers in	78,283	-	400,375	478,658
Transfers out	(400,000)	-	(18,658)	(418,658)
Total Other Financing Sources (Uses)	(38,074)	-	381,717	343,643
Net Change in Fund Balances	(373,790)	91,212	197,099	(85,479)
Fund Balances, January 1	1,555,299	1,168,522	669,521	3,393,342
Prior Period Adjustment (Note 7)	-	-	87,829	87,829
Fund Balances, December 31	$ 1,181,509	$ 1,259,734	$ 954,449	$ 3,395,692

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

City of Le Center, 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

Net Change in Fund Balances - Governmental Funds	$ (85,479)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	340,590
Depreciation expense	(331,560)
Contribution of capital assets to enterprise funds	(63,717)
The net effect of various miscellaneous transactions involving capital assets.	
Book value of capital assets sold and traded in	(2,091)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources 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.	
Principal repayments	575,100
Premium on bonds issued, net of amortization expense	9,233
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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.	6,213
Delinquent property taxes receivable will be collected this year, but is not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	820
Long-term pension activity is not reported in governmental funds	
Pension expense	(67,086)
Pension revenue	11,053
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.	
Special assessments	(146,099)
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	13,610
Change in Net Position - Governmental Activities	$ 260,587

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

City of Le Center, 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	$ 615,670	$ 615,670	$ 616,743	$ 1,073
Special assessments	-	-	1,301	1,301
Licenses and permits	36,000	36,000	62,073	26,073
Intergovernmental	883,034	883,034	945,320	62,286
Charges for services	53,600	53,600	36,416	(17,184)
Fines and forfeits	48,000	48,000	49,678	1,678
Investment earnings	6,000	6,000	5,590	(410)
Miscellaneous	-	-	33,640	33,640
Total Revenues	1,642,304	1,642,304	1,750,761	108,457
Expenditures				
Current				
General government	512,000	512,000	549,857	(37,857)
Public safety	578,300	578,300	632,765	(54,465)
Streets and highways	522,000	522,000	560,423	(38,423)
Culture and recreation	153,500	153,500	146,072	7,428
Capital outlay				
Public safety	64,800	64,800	81,084	(16,284)
Streets and highways	35,000	35,000	-	35,000
Culture and recreation	45,000	45,000	79,792	(34,792)
Debt service				
Principal	-	-	31,778	(31,778)
Interest	-	-	4,706	(4,706)
Total Expenditures	1,910,600	1,910,600	2,086,477	(175,877)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(268,296)	(268,296)	(335,716)	(67,420)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	283,643	283,643
Transfers in	60,000	60,000	78,283	18,283
Transfers out	-	-	(400,000)	(400,000)
Total Other Financing Sources (Uses)	60,000	60,000	(38,074)	(98,074)
Net Change in Fund Balances	(208,296)	(208,296)	(373,790)	(165,494)
Fund Balances, January 1	1,555,299	1,555,299	1,555,299	-
Fund Balances, December 31	$ 1,347,003	$ 1,347,003	$ 1,181,509	$ (165,494)

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

City of Le Center, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	
	Water Utility	Sewer Utility	Municipal Liquor Store	Refuse	Totals
Assets					
Current Assets					
Cash and temporary investments	$ 156,361	$ 92,711	$ 316,171	$ 93,759	$ 659,002
Receivables					
Accounts	71,304	73,074	-	15,769	160,147
Interest	1,093	-	-	-	1,093
Leases	786,412	-	-	-	786,412
Inventories	-	-	197,070	-	197,070
Prepaid items	1,151	2,493	2,987	2,059	8,690
Total Current Assets	1,016,321	168,278	516,228	111,587	1,812,414
Noncurrent Assets					
Capital assets, at cost					
Land	24,444	220,000	4,077	-	248,521
Buildings and improvements	-	599,101	484,155	-	1,083,256
Systems and infrastructure	6,913,478	6,316,719	-	-	13,230,197
Equipment and machinery	-	-	153,046	-	153,046
Vehicles	347,661	642,172	-	171,023	1,160,856
Less accumulated depreciation	(3,185,211)	(4,214,048)	(398,989)	(19,952)	(7,818,200)
Total Capital Assets (Net of Accumulated Depreciation)	4,100,372	3,563,944	242,289	151,071	8,057,676
Total Assets	5,116,693	3,732,222	758,517	262,658	9,870,090
Deferred Outflows of Resources					
Deferred pension resources	14,462	35,001	39,907	8,034	97,404
Liabilities					
Current Liabilities					
Accounts payable	5,438	5,223	21,473	3,783	35,917
Due to other governments	559	-	9,867	1,377	11,803
Accrued interest payable	19,818	17,558	-	229	37,605
Bonds payable - current	285,000	247,902	-	-	532,902
Notes payable - current	-	-	7,426	22,928	30,354
Total Current Liabilities	310,815	270,683	38,766	28,317	648,581
Noncurrent Liabilities					
Notes payable	-	-	36,465	100,241	136,706
Bonds payable, noncurrent	1,713,000	1,705,247	-	-	3,418,247
Net pension liability	47,544	115,071	131,197	26,412	320,224
Total Noncurrent Liabilities	1,760,544	1,820,318	167,662	126,653	3,875,177
Total Liabilities	2,071,359	2,091,001	206,428	154,970	4,523,758
Deferred Inflows of Resources					
Deferred pension resources	675	1,634	1,863	376	4,548
Deferred lease receivable	773,053	-	-	-	773,053
Total Deferred Inflows of Resources	773,728	1,634	1,863	376	777,601
Net Position					
Net investment in capital assets	2,102,372	1,610,795	213,250	27,902	3,954,319
Unrestricted	183,696	63,793	376,883	87,444	711,816
Total Net Position	$ 2,286,068	$ 1,674,588	$ 590,133	$ 115,346	$ 4,666,135

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

City of Le Center, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				
	601	**602**	**609**	Nonmajor	
			Municipal	**603**	
	Water Utility	Sewer Utility	Liquor Store	Refuse	Totals
Operating Revenues					
Charges for services	$ 487,900	$ 622,318	$ -	$ 152,061	$ 1,262,279
Sales	-	-	1,162,232	-	1,162,232
Cost of sales	-	-	(764,833)	-	(764,833)
Total Operating Revenues	487,900	622,318	397,399	152,061	1,659,678
Operating Expenses					
Personal services	58,392	150,801	211,872	50,209	471,274
Purchases	-	7,949	-	-	7,949
Supplies and repairs	64,126	99,907	36,081	16,768	216,882
Other services and charges	38,798	40,533	51,368	91,696	222,395
Insurance	7,761	14,245	28,463	-	50,469
Utilities	63,587	60,336	23,808	-	147,731
Depreciation	184,940	171,995	23,114	17,102	397,151
Total Operating Expenses	417,604	545,766	374,706	175,775	1,513,851
Operating Income (Loss)	70,296	76,552	22,693	(23,714)	145,827
Nonoperating Revenues (Expenses)					
Other income	95,049	13,223	11,165	116	119,553
Investment earnings	-	-	1,043	-	1,043
Rental income	-	-	54,021	-	54,021
Amortization of bond premium	-	2,161	-	-	2,161
Gain (loss) on sale of capital asset	-	110,285	-	-	110,285
Interest and other expense	(50,000)	(48,838)	8,011	(5,216)	(96,043)
Total Nonoperating Revenues (Expenses)	45,049	76,831	74,240	(5,100)	191,020
Income (Loss) Before Contributions and Transfers	115,345	153,383	96,933	(28,814)	336,847
Capital Contributions from Governmental Funds	31,319	32,398	-	-	63,717
Transfers Out	-	-	(60,000)	-	(60,000)
Change in Net Position	146,664	185,781	36,933	(28,814)	340,564
Net Position, January 1	2,139,404	1,488,807	553,200	144,160	4,325,571
Net Position, December 31	$ 2,286,068	$ 1,674,588	$ 590,133	$ 115,346	$ 4,666,135

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

City of Le Center, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor	
			Municipal	603	
	Water Utility	Sewer Utility	Liquor Store	Refuse	Totals
Cash Flows from Operating Activities					
Receipts from customers	$ 470,075	$ 597,531	$ 1,162,232	$ 152,152	$ 2,381,990
Payments to suppliers and vendors	(175,060)	(221,822)	(886,223)	(110,394)	(1,393,499)
Payments to and on behalf of employees	(53,466)	(146,399)	(204,067)	(55,735)	(459,667)
Other receipts	95,049	13,223	65,186	116	173,574
Net Cash Provided (Used) by Operating Activities	336,598	242,533	137,128	(13,861)	702,398
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	-	-	(60,000)	-	(60,000)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	-	(18,425)	(38,645)	-	(57,070)
Principal paid on bonds payable	(276,000)	(241,678)	-		(517,678)
Interest and fees paid on bonds payable	(50,000)	(52,732)	-	(5,216)	(107,948)
Principal paid on notes payable	-	-	(20,996)	(22,133)	(43,129)
Interest and fees paid on notes payable	-	-	8,011	-	8,011
Net Cash Provided (Used) by Capital And Related Financing Activities	(326,000)	(312,835)	(51,630)	(27,349)	(717,814)
Cash Flows from Investing Activities					
Interest received on cash and temporary investments	-	-	1,043	-	1,043
Net Increase (Decrease) in Cash and Temporary Investments	10,598	(70,302)	26,541	(41,210)	(74,373)
Cash and Temporary Investments, January 1	145,763	163,013	289,630	134,969	733,375
Cash and Temporary Investments, December 31	$ 156,361	$ 92,711	$ 316,171	$ 93,759	$ 659,002
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	$ 70,296	$ 76,552	$ 22,693	$ (23,714)	$ 145,827
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	95,049	13,223	65,186	116	173,574
Depreciation	184,940	171,995	23,114	17,102	397,151
(Increase) decrease in assets					
Accounts receivable	(3,373)	(24,787)	-	91	(28,069)
Interest receivable	(1,093)	-	-	-	(1,093)
Lease receivable	(786,412)	-	-	-	(786,412)
Inventories	-	-	1,910	-	1,910
Prepaid items	226	699	(410)	(68)	447
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	2,272	9,868	9,631	6,058	27,829
Increase (decrease) in liabilities					
Accounts payable	(1,573)	449	6,963	(3,239)	2,600
Due to other governments	559	-	9,867	1,377	11,803
Net pension liability	23,860	51,569	61,086	6,467	142,982
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(21,206)	(57,035)	(62,912)	(18,051)	(159,204)
Deferred lease receivable	773,053	-	-	-	773,053
Net Cash Provided (Used) by Operating Activities	$ 336,598	$ 242,533	$ 137,128	$ (13,861)	$ 702,398
Schedule of Noncash Capital and Financing Activities					
Trade in value of capitalized asset	$ -	$ 110,285	$ -	$ 25,447	$ 135,732
Book value of disposed/traded capital assets	-	-	-	(25,977)	(25,977)
Net capital assets contributed by other funds	31,319	32,398	-	-	63,717
Amortization of bond premium	-	2,161	-	-	2,161

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Le Center (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit. The Le Center Economic Development Authority (EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108 to encourage the development and redevelopment of certain properties within the City in accordance with policies established by the City Council. The EDA is considered blended because the City has significant influence on the EDA actives, the EDA has five Board members, two of whom are on the City Council and the remaining are appointed by the City Council and there is a financial benefit or burden relationship between the EDA and the City.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

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 general government, 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 and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

The *Municipal Liquor Store fund* accounts for the costs associated with the City's liquor store and ensures that revenues are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and refuse 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

The City's cash and cash equivalents are 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 statements 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent utility accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

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 annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental 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.”

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Lease Receivable

The City’s lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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 estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. 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.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land Improvements	$ 10,000
Buildings and Improvements	25,000
Machinery and Equipment	5,000
Infrastructure	50,000
Other Assets	2,500

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

Assets	Years
Other Improvements	15 - 20
Buildings and Improvements	7 - 40
Infrastructure	15 - 40
Machinery and Equipment	5 - 20
Vehicles	5 - 20
Other Assets	5 - 20

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay a portion of the amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary 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 total amount of compensated absences accrued for 2022 was $107,629. The General fund is typically used to liquidate governmental compensated absences payable.

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 bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the 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 GERP and PEPFP is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Total All
	GERP	PEPFP	Plans
City's proportionate share	$ 105,969	$ 59,965	$ 165,934
Proportionate share of State's contribution	3,135	7,490	10,625
Total pension expense	$ 109,104	$ 67,455	$ 176,559

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position 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 government 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 assessment. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has two additional items which qualifies for reporting in this category. The items, deferred pension resources and deferred lease receivable, is reported only in the statements of net position and results from actuarial and lease amortization 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.

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 (the Council), which is the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the 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 Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator/Clerk.

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 two months of next year’s budgeted expenditures for cash-flow timing needs.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consist 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 all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2022, have been compared to the City’s budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The City council reviews the budget at the regular meeting in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the City Council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 1,910,600	$ 2,086,477	$ 175,877

The excess expenditures are funded by excess revenues over budget and available fund balance.

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 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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "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.

Note 3: Detailed Notes on All Funds (Continued)

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

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	$ 4,162,026
Bank balance	$ 4,466,178
Covered by FDIC	(498,147)
Collateralized with securities pledged in City's name	$ 3,968,031

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals $7,152.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Deposits	$ 4,162,026
Cash on Hand	7,152
Total	$ 4,169,178

Note 3: Detailed Notes on All Funds (Continued)

B. Notes Receivable

The City has made various economic development loans to businesses. These loans are receivable by the City over three or ten-year periods with interest at 0 percent to 4.5 percent per annum. These loans are secured by collateral. The balance on all loans receivable at December 31, 2022 is $119,926.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 332,459	$ -	$ -	$ 332,459
Construction in progress	2,903,067	138,580	(3,041,647)	-
Total Capital Assets Not Being Depreciated	3,235,526	138,580	(3,041,647)	332,459
Capital Assets Being Depreciated				
Buildings and improvements	463,510	12,285	-	475,795
Systems and infrastructure	11,503,720	3,092,778	-	14,596,498
Machinery and equipment	1,437,001	74,877	(48,211)	1,463,667
Total Capital Assets Being Depreciated	13,404,231	3,179,940	(48,211)	16,535,960
Less Accumulated Depreciation for				
Buildings and improvements	(425,135)	(3,558)	-	(428,693)
Systems and infrastructure	(6,463,876)	(292,170)	-	(6,756,046)
Machinery and equipment	(1,203,447)	(35,832)	46,120	(1,193,159)
Total Accumulated Depreciation	(8,092,458)	(331,560)	46,120	(8,377,898)
Total Capital Assets Being Depreciated, Net	5,311,773	2,848,380	(2,091)	8,158,062
Governmental Activities Capital Assets, Net	$ 8,547,299	$ 2,986,960	$ (3,043,738)	$ 8,490,521

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	$ 248,521	$ -	$ -	$ 248,521
Construction in progress	1,255,178	63,717	(1,318,895)	-
Total Capital Assets not being Depreciated	1,503,699	63,717	(1,318,895)	248,521
Capital Assets Being Depreciated				
Buildings and improvements	1,083,256	-	-	1,083,256
Systems and infrastructure	11,907,494	1,322,703	-	13,230,197
Machinery and equipment	1,157,930	163,547	(7,575)	1,313,902
Total Capital Assets being Depreciated	14,148,680	1,486,250	(7,575)	15,627,355
Less Accumulated Depreciation for				
Buildings and improvements	(782,239)	(29,277)	-	(811,516)
Systems and infrastructure	(5,924,585)	(288,092)	-	(6,212,677)
Machinery and equipment	(721,800)	(79,782)	7,575	(794,007)
Total Accumulated Depreciation	(7,428,624)	(397,151)	7,575	(7,818,200)
Total Capital Assets Being Depreciated, Net	6,720,056	1,089,099	-	7,809,155
Business-type Activities Capital Assets, Net	$ 8,223,755	$ 1,152,816	$ (1,318,895)	$ 8,057,676

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

Governmental Activities	
General Government	$ 1,695
Public Safety	10,994
Streets and Highways	297,017
Health and Sanitation	1,293
Culture and Recreation	8,980
Economic development	11,581
Total Depreciation Expense - Governmental Activities	$ 331,560
Business-Type Activities	
Water Utility	$ 184,940
Sewer Utility	171,995
Refuse and Recycling	17,102
Municipal Liquor Store	23,114
Total Depreciation Expense - Business-type Activities	$ 397,151

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers

The purpose of the following Economic Development Authority advance was to fund operations of the General Fund. There is no formal plan for repayment of the advance. The interfund receivable was to cover the negative cash in the Tax Increment – 16 Horizon Place. At year end, the balances were as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	General Fund	$ 350,000
General Fund	Nonmajor governmental	375
		$ 350,375

In the year ended December 31, 2022, the City made the following transfers:

	Transfers in		
Fund	General Fund	Other Governmental Funds	Total
Transfer Out			
Governmental			
General	$ -	$ 400,000	$ 400,000
Nonmajor governmental funds	18,283	375	18,658
Business-type			
Municipal Liquor Store	60,000	-	60,000
Total Transfers Out	$ 78,283	$ 400,375	$ 478,658

The transfer from the Liquor Fund to the General Fund was for operations of the General Fund. The transfer from the General Fund to the Capital Improvement Fund was to set aside dollars for future capital improvements. The Tax increment – 9 Country Neighbors made a transfer to the General fund to reimbursement for costs.

E. Lease Receivable

The City leases various tower sites and land to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in in 2029, however, the City anticipates new or revised leasing arrangements to occur in the future.

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

Description	Issue Date	Discount Rate	Current Year Infow of Resources	Balance at Year End
Peter Thelemann Farm Land Lease	11/01/19	1.16 %	$ 15,600	$ 104,583
T-Moile Water Tower Antenna Lease	07/01/07	1.63	18,627	366,204
AT&T Water Tower Antenna Lease	10/01/12	1.70	21,151	420,208
				$ 890,995

Note 3: Detailed Notes on All Funds (Continued)

F. Financed Purchase Agreements

Financed Purchase Agreements

During 2019, the City entered into a financed purchase agreement for a John Deere Street Sweeper. The lease agreement qualifies as financed purchase agreement for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The book value of the Street Sweeper is $120,000 as of December 31, 2022.

During 2020, the City entered into a financed purchase agreement for a Freightliner Truck with Garbage Equipment with an inception date of November 3, 2021. The lease agreement qualifies as a financed purchase agreement for accounting purposes, and therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The book value of the Garbage Truck is $151,070 as of December 31, 2021.

The future minimum obligations and the net present value of these minimum payments as of December 31, 2022 is as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Garbage Truck	$ 164,000	3.59 %	11/3/2021	12/15/2027	$ 123,169
Street Sweeper	177,000	4.55	03/29/19	4/15/2025	67,731
Total Capital Leases					$ 190,900

Annual requirement to maturity for the financed purchase agreement is as follows:

Year Ending December 31,	Financed Purchase Agreements Governmental Activities Principal	Interest	Total
2023	$ 21,580	$ 3,082	$ 24,662
2024	22,562	2,100	24,662
2025	23,589	1,073	24,662
Total	$ 67,731	$ 6,255	$ 73,986

Year Ending December 31,	Financed Purchase Agreements Business Activities Principal	Interest	Total
2023	$ 22,928	$ 4,422	$ 27,350
2024	23,751	3,599	27,350
2025	24,603	2,746	27,349
2026	25,486	1,863	27,349
2027	26,401	947	27,348
Total	$ 123,169	$ 13,577	$ 136,746

Note 3: Detailed Notes on All Funds (Continued)

G. 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 governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General Obligation 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. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Refunding Bonds of 2010C	$ 1,895,000	2.00 - 3.35 %	11/09/10	02/01/26	$ 620,000
G.O. Improvement Refunding Bonds of 2014B	2,605,000	0.60 - 3.10	10/14/14	02/01/28	1,345,000
G.O. Improvement Bonds of 2016A	645,330	2.00 - 3.00	07/12/16	02/01/37	512,394
G.O. Improvement Refunding Bonds of 2017A	520,000	1.45 - 3.00	08/10/17	02/01/31	395,000
G.O. Improvement Bonds of 2020A	4,260,000	2.00 - 3.00	06/01/20	02/01/41	3,930,000
Total General Obligation Improvement Bonds					$ 6,802,394

Annual requirement to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities Principal	Interest	Total
2023	$ 551,098	$ 160,266	$ 711,364
2024	573,817	145,773	719,590
2025	581,477	130,373	711,850
2026	604,078	113,991	718,069
2027	576,617	97,588	674,205
2028 - 2032	1,653,901	320,179	1,974,080
2033 - 2037	1,286,406	170,769	1,457,175
2038 - 2041	975,000	41,906	1,016,906
Total	$ 6,802,394	$ 1,180,845	$ 7,983,239

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bond was issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 PFA Loan	$ 2,595,136	1.98 %	08/10/04	08/20/24	$ 320,286
2006 PFA Loan	3,470,601	1.82	08/11/06	08/20/26	821,000
2007 PFA Loan	511,861	1.65	08/14/07	08/20/27	157,000
G.O. Improvement Bonds of 2016A	2,009,670	2.00 - 3.00	07/12/16	02/01/37	1,602,606
G.O. Improvement Refunding Bonds of 2017A	1,190,000	1.45 - 3.13	08/10/17	02/01/38	1,020,000
Total G.O. Revenue Bonds					$ 3,920,892

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Refuse
Revenues	$ 487,900	$ 622,318	$ 152,061
Principal and interest	326,000	294,410	5,216
Percentage of Revenues	66.8%	47.3%	3.4%

Annual requirement to maturity for the general obligation revenue bond is as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities Principal	Interest	Total
2023	$ 532,902	$ 92,485	$ 625,387
2024	536,469	81,953	618,422
2025	386,523	71,164	457,687
2026	393,922	63,303	457,225
2027	186,383	55,209	241,592
2028 - 2032	846,099	210,231	1,056,330
2033 - 2037	963,594	87,171	1,050,765
2038	75,000	1,172	76,172
Total	$ 3,920,892	$ 662,688	$ 4,583,580

Note 3: Detailed Notes on All Funds (Continued)

Notes Payable

The City signed a $150,000 note payable for the acquisition of additional storage space for the municipal liquor store. The note has been split into a taxable portion and a tax exempt portion. The taxable portion has a stated interest rate of 5% and is payable in monthly installments of principal and interest. The tax exempt portion has a stated interest rate of 3.25% and is payable in monthly installments of principal and interest. On June 1, 2020, the interest rate for both the taxable portion and the tax exempt portion will be reset. The taxable portion's rate shall then be based on a rate of 1.5% over the interest rate for the 10 Year United States Treasury Bond; the rate shall never be less than 5% or more than 9%. The tax exempt portion's rate shall be based on a rate per annum equal to a 2027 maturity of the Municipal Market Data Index (MMD) for a non-rated general obligation bond; the rate shall never be less than 3.25% or more than 5.25%. The note is secured by the value of the building.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Building Loan	$ 150,000	3.25 - 9.00 %	06/01/10	12/31/27	$ 43,892

Annual requirement to maturity for the notes payable is as follows:

Year Ending December 31,	Notes Payable Business-type Activities Principal	Interest	Total
2023	$ 7,426	$ 1,231	$ 8,657
2024	11,550	1,435	12,985
2025	12,068	917	12,985
2026	8,678	430	9,108
2027	4,169	61	4,230
Total	$ 43,891	$ 4,074	$ 47,965

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					
General obligation special assessment bonds	$ 7,345,716	$ -	$ (543,322)	$ 6,802,394	$ 551,098
Bond premiums	172,707	-	(9,233)	163,474	-
Total Bonds Payable	7,518,423	-	(552,555)	6,965,868	551,098
Financed Purchase Agreements	99,509	-	(31,778)	67,731	21,580
Compensated Absences Payable	121,239	35,675	(49,285)	107,629	25,148
Governmental Activities Long-term Liabilities	$ 7,739,171	$ 35,675	$ (633,618)	$ 7,141,228	$ 597,826
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	$ 4,438,570	$ -	$ (517,678)	$ 3,920,892	$ 532,902
Bond premiums	32,418	-	(2,161)	30,257	-
Total Bonds Payable	4,470,988	-	(519,839)	3,951,149	532,902
Notes payable	64,887	-	(20,996)	43,891	7,426
Financed Purchase Agreements	145,302	-	(22,133)	123,169	22,928
Business-type Activities Long-term Liabilities	$ 4,681,177	$ -	$ (562,968)	$ 4,118,209	$ 563,256

Note 4: Defined Benefit Pension Plan - 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.

Public Employees Police and Fire Plan

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

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

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 Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, 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. For 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.

Police and Fire Plan Benefits

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

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

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

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 year ending December 31, 2022, 2021 and 2020 are shown in the chart below. The City's contributions were equal to the required contributions for each year as set by state statute.

	2022	2021	2020
General Employees Fund	$ 52,133	$ 47,092	$ 46,395

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021 and 2020 are shown in the chart below. The City's contributions were equal to the required contributions for each year as set by state statute.

	2022	2021	2020
Police and Fire Fund	$ 44,324	$ 43,450	$ 41,718

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of $712,803 or 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 $20,979. 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 proportion was 0.0090 percent which was a 0.0003 percent increase from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	$ 712,803
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	20,979
Total	$ 733,782

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

For the year ended December 31, 2022, the City recognized pension expense of $105,969 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized $3,135 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 5,954	$ 7,354
Changes in Actuarial Assumptions	156,105	2,770
Net Difference Between Projected and Actual Earnings on Plan Investments	20,240	-
Changes in Proportion	9,456	-
Contributions paid to PERA Subsequent to the Measurement Date	25,061	-
Total	$ 216,816	$ 10,124

The $25,061 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	$ 68,622
2024	68,236
2025	(19,689)
2026	64,462

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of $887,727 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0204 percent which was a 0.0017 percent increase from its proportionate share measured as of June 30, 2021.

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

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of $59,965 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City an recognized an additional $7,490 for the year ended December 31, 2022, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in fire state aid. The City also recognized $1,836 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 53,675	$ 69
Changes in Actuarial Assumptions	509,646	7,739
Net Difference Between Projected and Actual Earnings on Plan Investments	32,317	-
Changes in Proportion	9,666	25,248
Contributions Paid to PERA Subsequent to the Measurement Date	23,266	-
Total	$ 628,570	$ 33,056

The $23,266 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	$ 110,145
2024	108,214
2025	99,084
2026	180,944
2027	73,861

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00 %	

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 Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

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. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

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. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. 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.

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	$ 1,125,910	$ 712,803	$ 373,992

	City Proportionate Share of NPL		
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	$ 1,343,462	$ 887,727	$ 519,294

Note 4: Defined Benefit Pension Plan – Statewide (Continued)

I. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

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

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2022, the City is under the legal debt margin.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2022 was $869,034 for LGA. This accounted for 42.8 percent of General fund revenues.

Note 6: Change in Accounting Principles

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City's recognition of the beginning balances related to the lease receivable and the deferred inflows were equal balances and had no effect on the beginning net position of the Governmental or Business-Type activities.

Note 7: Prior Period Adjustment

There was a prior period adjustment to eliminate the due to other governments for $87,829 in the Tax Increment – 9 Country Neighbors for amount due back to the county for excess tax increment financing.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LE CENTER
LE SUEUR COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0090 %	$ 712,803	$ 20,979	$ 733,782	$ 725,415	98.3 %	98.3 %
6/30/2021	0.0087	371,529	11,263	382,792	570,215	65.2	87.0
6/30/2020	0.0086	515,609	15,962	531,571	612,645	86.8	79.0
6/30/2019	0.0085	469,946	14,499	484,445	598,624	80.9	80.2
6/30/2018	0.0086	477,092	15,681	492,773	557,057	88.5	79.5
6/30/2017	0.0083	529,867	6,624	536,491	269,195	199.3	75.9
6/30/2016	0.0084	682,038	8,898	690,936	524,786	131.7	68.9
6/30/2015	0.0085	440,517	-	440,517	511,088	86.2	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2022	$ 52,133	$ 52,133	$ -	$ 695,101	7.50 %
12/31/2021	47,092	47,092	-	627,893	7.50
12/31/2020	46,395	46,395	-	618,598	7.50
12/31/2019	45,751	45,751	-	610,019	7.50
12/31/2018	43,123	43,123	-	574,967	7.50
12/31/2017	40,554	40,554	-	540,724	7.50
12/31/2016	39,359	39,359	-	524,786	7.50
12/31/2015	38,332	38,332	-	511,088	7.50

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

Notes to the Required Supplementary Information - General Employees Fund

<u>Changes in Actuarial Assumptions</u>

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.

Notes to the Required Supplementary Information - General Employees 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 Le Center, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability – Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0204 %	$ 887,727	$ 38,615	$ 926,342	$ 268,209	331.0 %	70.5 %
6/30/2021	0.0187	144,345	6,476	150,821	220,501	65.5	93.7
6/30/2020	0.0203	267,576	-	267,576	229,739	116.5	87.2
6/30/2019	0.0215	228,889	-	228,889	227,181	100.8	89.3
6/30/2018	0.0223	237,695	-	237,695	235,077	101.1	88.8
6/30/2017	0.0220	297,026	-	297,026	106,905	277.8	85.4
6/30/2016	0.0230	923,030	-	923,030	224,827	410.6	63.9
6/30/2015	0.0220	249,971	-	249,971	215,520	116.0	86.6

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

Schedule of Employer's PERA Contributions – Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2022	$ 44,324	$ 44,324	$ -	$ 250,417	17.70 %
12/31/2021	43,450	43,450	-	245,478	17.70
12/31/2020	41,718	41,718	-	246,124	16.95
12/31/2019	38,346	38,346	-	226,229	16.95
12/31/2018	37,430	37,430	-	231,049	16.20
12/31/2017	37,291	37,291	-	230,190	16.20
12/31/2016	36,422	36,422	-	224,827	16.20
12/31/2015	34,914	34,914	-	215,520	16.20

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

Notes to the Required Supplementary Information – Police and Fire Fund

Changes in Actuarial Assumptions

2022 - 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.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 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 5.6 percent. 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 2037 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information – Police and Fire 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 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing $9.0 million state contribution. New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. 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. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF LE CENTER
LE CENTER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Le Center, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue			
	211	**228**	**209**	**217**
	COVID	EDA Revolving	Tax Increment - 9 Country Neighbors	Tax Increment - 16 Horizon Place
Assets				
Cash and temporary investments	$ 274,954	$ 785	$ 83,738	$ -
Due from other funds	-	350,000	-	-
Notes receivable	-	119,926	-	-
Total Assets	$ 274,954	$ 470,711	$ 83,738	$ -
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	274,954	-	-	-
Total Liabilities	274,954	-	-	-
Fund Balances				
Committed				
Capital improvements	-	-	-	-
Economic development	-	470,711	83,738	-
Total Fund Balances	-	470,711	83,738	-
Total Liabilities and Fund Balances	$ 274,954	$ 470,711	$ 83,738	$ -

Capital Projects		
401	**430**	
Capital Improvement Fund	2020 Street Project	Total Nonmajor Funds
$ 400,000	$ 675	$ 760,152
-	-	350,000
-	-	119,926
$ 400,000	$ 675	$ 1,230,078
$ -	$ 675	$ 675
-	-	-
-	-	-
-	-	274,954
-	675	275,629
400,000	-	400,000
-	-	554,449
400,000	-	954,449
$ 400,000	$ 675	$ 1,230,078

City of Le Center, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue			
	211	**228**	**209**	**217**
	COVID	EDA Revolving	Tax Increment - 9 Country Neigbors	Tax Increment - 16 Horizon Place
Revenues				
Investment earnings	$ -	$ 11,017	$ -	$ -
Miscellaneous				
Other	-	-	-	-
Total Revenues	-	11,017	-	-
Expenditures				
Current				
Economic development	-	6,496	1,819	-
Capital outlay				
Streets and highways	-	-	-	-
Total Expenditures	-	6,496	1,819	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	4,521	(1,819)	-
Other Financing Sources				
Transfers in	-	-	-	375
Transfers out	-	-	(18,658)	-
Total Other Financing Sources (Uses)	-	-	(18,658)	375
Net Change in Fund Balances	-	4,521	(20,477)	375
Fund Balances, January 1	-	466,190	16,386	(375)
Prior Period Adjustment (Note 7)	-	-	87,829	-
Fund Balances, January 1 (Restated)	-	466,190	104,215	(375)
Fund Balances, December 31	$ -	$ 470,711	$ 83,738	$ -

Capital Projects		
401	**430**	
Capital Improvement Fund	2020 Street Project	Total Nonmajor Funds
$ -	$ 364	$ 11,381
-	14,612	14,612
-	14,976	25,993
-	-	8,315
-	202,296	202,296
-	202,296	210,611
-	(187,320)	(184,618)
400,000	-	400,375
-	-	(18,658)
400,000	-	381,717
400,000	(187,320)	197,099
-	187,320	669,521
-	-	87,829
-	187,320	757,350
$ 400,000	$ -	$ 954,449

City of Le Center, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 1,491,061	$ 1,821,406
Receivables		
Delinquent taxes	14,291	13,471
Accounts	1,128	-
Interest	202	-
Leases	104,583	-
Special assessments - delinquent	366	1,424
Intergovernmental	32,743	31,114
Due from other funds	-	56,112
Prepaid items	24,496	18,699
Total Assets	$ 1,668,870	$ 1,942,226
Liabilities		
Accounts payable	$ 16,716	$ 22,032
Due to other funds	350,000	350,000
Due to other governments	1,956	-
Total Liabilities	368,672	372,032
Deferred Inflows of Resources		
Unavailable revenue - property taxes	14,291	13,471
Unavailable revenue - special assessment	366	1,424
Deferred lease receivable	104,032	-
Total Deferred Inflows of Resources	118,689	14,895
Fund Balances		
Nonspendable	25,047	18,699
Restricted for senior center/recreation	100,000	100,000
Restricted for small cities assistance	-	44,576
Assigned for capital improvements	-	117,500
Unassigned	1,056,462	1,274,524
Total Fund Balances	1,181,509	1,555,299
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,668,870	$ 1,942,226

City of Le Center, 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 Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property taxes	$ 600,670	$ 600,670	$ 601,674	$ 1,004	$ 581,617
Franchise fees	15,000	15,000	15,069	69	15,182
Total Taxes	615,670	615,670	616,743	1,073	596,799
Special Assessments	-	-	1,301	1,301	811
Licenses and permits	36,000	36,000	62,073	26,073	36,995
Intergovernmental					
State					
Local government aid	869,034	869,034	869,034	-	905,434
Property tax credits and aids	-	-	30	30	30
Fire aid	-	-	30,293	30,293	29,784
Police aid	-	-	20,033	20,033	27,578
Other state aids	-	-	8,089	8,089	-
Total State	869,034	869,034	927,479	58,445	962,826
County					
Highway aid	14,000	14,000	17,841	3,841	15,572
Total Intergovernmental	883,034	883,034	945,320	62,286	978,398
Charges for services					
General government	53,600	53,600	15,241	(38,359)	55,584
Culture and recreation	-	-	21,175	21,175	-
Total charges for services	53,600	53,600	36,416	(17,184)	55,584
Fines and forfeits	48,000	48,000	49,678	1,678	47,274
Investment earnings	6,000	6,000	5,590	(410)	5,761
Miscellaneous					
Contributions and donations	-	-	6,586	6,586	51,300
Other	-	-	2,970	2,970	-
Refunds and reimbursements	-	-	24,084	24,084	26,455
Total Miscellaneous	-	-	33,640	33,640	77,755
Total Revenues	1,642,304	1,642,304	1,750,761	108,457	1,799,377

City of Le Center, 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 Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures					
Current					
General government					
Other general government					
Other services	$ 126,000	$ 126,000	$ 131,674	$ (5,674)	$ 114,053
Mayor and Council					
Personal services	16,500	16,500	8,128	8,372	15,560
Administration					
Personal services	244,800	244,800	304,831	(60,031)	261,832
Supplies	14,000	14,000	13,738	262	11,818
Other services	81,700	81,700	76,537	5,163	54,130
Other charges	29,000	29,000	14,949	14,051	7,959
Total Administration	369,500	369,500	410,055	(40,555)	335,739
Total General Government	512,000	512,000	549,857	(37,857)	465,352
Public safety					
Police					
Personal services	390,000	390,000	416,337	(26,337)	383,019
Supplies	17,000	17,000	2,832	14,168	1,825
Other services	22,000	22,000	23,656	(1,656)	25,147
Other charges	35,800	35,800	44,072	(8,272)	24,899
Total Police	464,800	464,800	486,897	(22,097)	434,890
Fire					
Personal services	113,500	113,500	145,720	(32,220)	143,211
Emergency management					
Other services	-	-	148	(148)	-
Total Public Safety	578,300	578,300	632,765	(54,465)	578,101
Streets and highways					
Street maintenance					
Personal services	236,000	236,000	256,726	(20,726)	220,861
Supplies	244,000	244,000	240,721	3,279	209,411
Other services	39,000	39,000	56,896	(17,896)	27,574
Total Street Maintenance	519,000	519,000	554,343	(35,343)	457,846

City of Le Center, 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 Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Street lighting					
Other services	$ 3,000	$ 3,000	$ 6,080	$ (3,080)	$ 4,023
Total Streets and Highways	522,000	522,000	560,423	(38,423)	461,869
Culture and recreation					
Parks and recreation					
Personal services	77,300	77,300	79,691	(2,391)	72,368
Supplies	47,300	47,300	47,043	257	27,950
Other services	28,900	28,900	19,338	9,562	19,618
Total Parks and Recreation	153,500	153,500	146,072	7,428	119,936
Total Current	1,765,800	1,765,800	1,889,117	(123,317)	1,625,258
Capital outlay					
Public safety	64,800	64,800	81,084	(16,284)	12,363
Streets and highways	35,000	35,000	-	35,000	7,371
Culture and recreation	45,000	45,000	79,792	(34,792)	39,810
Total Capital Outlay	144,800	144,800	160,876	(16,076)	59,544
Debt service					
Principal	-	-	31,778	(31,778)	30,235
Interest and other	-	-	4,706	(4,706)	6,249
Total Debt Service	-	-	36,484	(36,484)	36,484
Total Expenditures	1,910,600	1,910,600	2,086,477	(175,877)	1,721,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	(268,296)	(268,296)	(335,716)	(67,420)	78,091
Other Financing Sources (Uses)					
Sale of capital assets	-	-	283,643	283,643	-
Transfers in	60,000	60,000	78,283	18,283	50,000
Transfers out	-	-	(400,000)	(400,000)	-
Total Other Financing Sources (Uses)	60,000	60,000	(38,074)	(98,074)	50,000
Net Change in Fund Balances	(208,296)	(208,296)	(373,790)	(165,494)	128,091
Fund Balances, January 1	1,555,299	1,555,299	1,555,299	-	1,427,208
Fund Balances, December 31	$ 1,347,003	$ 1,347,003	$ 1,181,509	$ (165,494)	$ 1,555,299

City of Le Center, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2022

	307 Tax Increment - 7 Royal American	324 2010C G.O. Improvement Refunding Bonds	325 2016A G.O. Improvement Bonds
Assets			
Cash and temporary investments	$ 339,101	$ 86,326	$ 311,153
Receivables			
Special assessments			
Delinquent	-	229	282
Deferred	-	23,281	254,140
Intergovernmental	-	187	-
Total Assets	$ 339,101	$ 110,023	$ 565,575
Deferred Inflows of Resources			
Unavailable revenues	$ -	$ 23,510	$ 254,422
Fund Balances			
Restricted for debt service	339,101	86,513	311,153
Total Deferred Inflows of Resources and Fund Balances	$ 339,101	$ 110,023	$ 565,575

326 2014B G.O. Improvement Refunding Bonds	329 2017A G.O. Improvement Refunding Bonds	330 2020A G.O. Improvement Bonds	Totals
$ 41,508	$ 119,932	$ 360,943	$ 1,258,963
-	-	760	1,271
114,047	99,332	548,170	1,038,970
-	-	584	771
$ 155,555	$ 219,264	$ 910,457	$ 2,299,975
$ 114,047	$ 99,332	$ 548,930	$ 1,040,241
41,508	119,932	361,527	1,259,734
$ 155,555	$ 219,264	$ 910,457	$ 2,299,975

City of Le Center, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	307 Tax Increment - 7 Royal American	324 2010C G.O. Improvement Refunding Bonds	325 2016A G.O. Improvement Bonds
Revenues			
Taxes			
Property taxes	$ -	$ 151,215	$ 1,500
Special assessments	-	11,450	24,817
Total Revenues	-	162,665	26,317
Expenditures			
Debt service			
Principal	-	140,000	33,322
Interest and other	-	23,159	10,934
Total Expenditures	-	163,159	44,256
Net Change in Fund Balances	-	(494)	(17,939)
Fund Balances, January 1	339,101	87,007	329,092
Fund Balances, December 31	$ 339,101	$ 86,513	$ 311,153

326 2014B G.O. Improvement Refunding Bonds	329 2017A G.O. Improvement Refunding Bonds	330 2020A G.O. Improvement Bonds	Totals
$ 174,677	$ 39,113	$ 190,080	$ 556,585
44,507	14,805	165,142	260,721
219,184	53,918	355,222	817,306
170,000	40,000	160,000	543,322
39,238	14,135	95,306	182,772
209,238	54,135	255,306	726,094
9,946	(217)	99,916	91,212
31,562	120,149	261,611	1,168,522
$ 41,508	$ 119,932	$ 361,527	$ 1,259,734

City of Le Center, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations - Governmental Funds
For the Years Ended December 31, 2022 and 2021

	Total 2022	Total 2021	Percent Increase (Decrease)
Revenues			
Taxes	$ 1,173,328	$ 1,154,016	1.67 %
Special assessments	262,022	218,379	19.98
Licenses and permits	62,073	36,995	67.79
Intergovernmental	945,320	978,398	(3.38)
Charges for services	36,416	-	100.00
Fines and forfeits	49,678	47,274	5.09
Investment earnings	16,971	7,900	114.82
Miscellaneous	48,252	139,802	(65.49)
Total Revenues	$ 2,594,060	$ 2,582,764	0.44 %
Per Capita	1,030	1,026	0.36 %
Expenditures			
Current			
General government	$ 549,857	$ 494,699	11.15 %
Public safety	632,765	548,754	15.31
Streets and highways	560,423	461,869	21.34
Culture and recreation	146,072	119,936	21.79
Economic development	8,315	36,671	(77.33)
Capital outlay			
Public safety	81,084	12,363	555.86
Streets and highways	202,296	2,239,130	(90.97)
Culture and recreation	79,792	39,810	100.43
Debt service			
Principal	575,100	575,725	(0.11)
Interest and other charges	187,478	218,189	(14.08)
Total Expenditures	$ 3,023,182	$ 4,747,146	(36.32) %
Per Capita	1,200	1,886	(36.37) %
Total Long-term Indebtedness	$ 6,870,125	$ 7,445,225	(7.72) %
Per Capita	2,727	2,958	(7.80)
General Fund Balance - December 31	$ 1,181,509	$ 1,555,299	(24.03) %
Per Capita	469	618	(24.09)

The purpose of this report is to provide a summary of financial information concerning the City of Le Center to interested citizens. The complete financial statements may be examined at City Hall, 10 Tyrone Street West, Le Center, Minnesota. Questions about this report should be directed to City Hall at (507) 357-4450.

OTHER REQUIRED REPORTS

CITY OF LE CENTER
LE CENTER, 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 Le Center, Minnesota

We have audited, 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Center, 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 May 19, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that City of Le Center 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

Abdo
Mankato, Minnesota
May 19, 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 Le Center, 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 Le Center, 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 May 19, 2023.

Report on Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identified one deficiency in internal control that we consider to be a material weakness described in the accompanying Schedule of Findings and Responses as item 2022-004. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002 and 2022-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were 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

Abdo
Mankato, Minnesota
May 19, 2023

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Finding	Description
2022-001	**Segregation of Duties**
Condition:	During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in these areas as noted below.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Effect:	The existence of this limited segregation of duties increases the risk of fraud and misstatement.

Internal Control Over Payroll

Cause:	The Deputy Clerk controls and maintains the check stock, sets up employee records, posts activity to the general ledger, prepares payroll tax returns, and maintains the payroll records.
Recommendation:	While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. We recommend that in addition to approving payroll disbursements and wage rates, the Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Cash Disbursements

Cause:	The Deputy Clerk has control over the check stock, sets up and maintains vendors, prepares checks, enters transactions into the accounting system, and also opens mail and mails checks to vendors. While we recognize staff is not large enough to eliminate this deficiency, we recommend that an individual separate from the Deputy Clerk review cancelled checks received with bank statement and investigate items such as: voided checks, inconsistencies in check sequence, possible alterations, and unusual payees. It is important that the Council is aware of this condition and monitor all financial information. We also recommend an individual other than the Deputy Clerk open mail and mail checks to vendors.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Finding	Description
2022-001	**Segregation of Duties**

Internal Control Over Cash Receipts

Cause:	The Deputy Clerk sets up and maintains customers, maintains receipts journal, posts to the general ledger, maintains accounts receivable records, and also opens mail, prepares deposits, and receives and endorses checks.
Recommendation:	We recommend that an individual separate from the Deputy Clerk open mail and prepare the deposit as well as receive and endorse checks.. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Utility Billing

Cause:	The Deputy Clerk approves new accounts, sets up customers and rates in the billing systems, generates statements, enters readings, prepares the deposit, and reconciles the utility subledger with the general ledger.
Recommendation:	We recommend that an individual, separate from the Deputy Clerk as the Clerk-Administrator, prepare deposits and review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Finding	Description
2022-001	**Segregation of Duties (Continued)**

Internal Control Over Investment Transactions

Cause: As a result of the number of staff, the Clerk-Administrator receives investment statements in the mail, initiates investment transactions, maintains investment subledger and spreadsheet and reconciles investment accounts.

Recommendation: It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Finding	Description
2022-002	**Financial Report Preparation**
Condition:	As in prior years, we were requested to assist in drafting 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 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. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent 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.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Finding	Description
2022-003	**Liquor Store Inventory Reconciliation**
Condition:	During 2022, we noted that cycle counts at the off-sale liquor store were not performed for the majority of the year.
Criteria:	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting. Cycle counts should be performed so the City has accurate information on the inventory levels and other valuable information.
Cause:	City staff did not print out and count end of year inventory balances.
Effect:	Without reconciliation of the point of sale system to the actual inventory, management is not able to track current inventory balances, gross profit percentages and other valuable information.
Recommendation:	We recommend cycle counts be done on a semi-monthly basis until management, the City Administrator, and City Council are comfortable the system is operating properly. Cycle counts consist of counting all of one type of product and matching it to the inventory point of sale system. Once management is satisfied that the system is operating properly, cycle counts could be done on a monthly basis. Inventory adjustment reports should be printed and retained for each cycle count. Management can then use these reports to notice trends such as whether they are making adjustments to the same products each time a count is performed. If this is the case, it may raise concerns of theft. Currently, there is no way of determining whether theft has occurred other than seeing a drop in gross profit percentage at the end of the year.

Management Response:

Management will implement the recommendation.

2022-004	**Material Audit Adjustments**
Condition:	During our audit, material entries were needed to adjust debt, payroll, accounts payable and grant activity.
Criteria:	Such adjustments should be detected and made by City personnel.
Cause:	City staff has not prepared a year end trial balance reflecting all necessary accruals and yearend adjustments without auditor assistance.
Effect:	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management Response:

Management will review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.