



Annual Financial Report

City of New Auburn

New Auburn, Minnesota

For the year ended December 31, 2022



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City of New Auburn, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of New Auburn, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mandy Grack	Mayor	12/31/22
Pam Horton	Council	12/31/24
Wayne Schultz	Council	12/31/24
Barb Schutte	Council	12/31/22
John Wangen	Council	12/31/22

Appointed

<u>Name</u>	<u>Title</u>
Roberta Zaske	City Clerk

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FINANCIAL SECTION
CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of New Auburn, Minnesota, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of New Auburn, 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 financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2022, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City as of December 31, 2022, and their respective cash receipts and disbursements for the year then ended on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City as of December 31, 2022, and their respective changes in financial position and cash flows for the year then ended on the basis of the financial reporting as described in Note 1B.

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

As described in Note 1B, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor, as described in Note 1B. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Other Matters

Supplementary Information

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



Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section and supplementary information - unaudited 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 March 2, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the City's the 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
March 2, 2023



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FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of New Auburn, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2022

	100	229	224	335	226	336	
	General	Fire and Rescue Department Fund	Fire Dept Capital Fund	2022A G.O. Refunding Improvement Bond	Capital Depreciation Fund	Nonmajor RS Fiber	Total
Assets							
Cash and cash equivalents	\$ 209,518	\$ 90,807	\$ 170,624	\$ 39,329	\$ 718,491	\$ 6,063	\$ 1,234,832
Advance to other funds	-	-	-	-	20,000	-	20,000
Total Assets	\$ 209,518	\$ 90,807	\$ 170,624	\$ 39,329	\$ 738,491	\$ 6,063	\$ 1,254,832
Cash Fund Balances							
Restricted	\$ 7,227	\$ 37,867	\$ -	\$ 39,329	\$ 3,771	\$ 6,063	\$ 94,257
Committed	-	52,940	170,624	-	232,756	-	456,320
Assigned	-	-	-	-	501,964	-	501,964
Unassigned	202,291	-	-	-	-	-	202,291
Total Cash Fund Balances	\$ 209,518	\$ 90,807	\$ 170,624	\$ 39,329	\$ 738,491	\$ 6,063	\$ 1,254,832

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

City of New Auburn, Minnesota
Statement of Cash Receipts, Disbursements and
Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	100	229	224	335	226	336	
	General Fund	Fire and Rescue Department Fund	Fire Dept Capital Fund	2022A G.O. Refunding Improvement Bond	Capital Depreciation Fund	Nonmajor RS Fiber	Total
Receipts							
Taxes	\$ 175,339	\$ -	\$ -	\$ 99,547	\$ -	\$ 30,375	\$ 305,261
Licenses and permits	4,928	-	-	-	-	-	4,928
Intergovernmental	183,426	27,878	-	-	-	-	211,304
Charges for services	3,313	28,298	-	-	-	-	31,611
Fines and forfeitures	456	-	-	-	-	-	456
Interest earnings	440	-	449	-	4,136	-	5,025
Special assessments	-	-	-	23,680	-	-	23,680
Miscellaneous	29,720	24,090	-	-	-	-	53,810
Total Receipts	<u>397,622</u>	<u>80,266</u>	<u>449</u>	<u>123,227</u>	<u>4,136</u>	<u>30,375</u>	<u>636,075</u>
Disbursements							
Current							
General government	129,244	-	-	-	-	-	129,244
Public safety	37,077	35,381	-	-	-	-	72,458
Streets and highways	103,825	-	-	-	-	-	103,825
Sanitation	5,400	-	-	-	-	-	5,400
Culture and recreation	11,915	-	-	-	-	-	11,915
Cemetery	11,752	-	-	-	-	-	11,752
Debt service							
Principal	-	-	-	185,905	-	41,712	227,617
Interest and other	-	-	-	29,239	-	13,094	42,333
Capital outlay							
Public safety	-	11,532	-	-	-	-	11,532
Total Disbursements	<u>299,213</u>	<u>46,913</u>	<u>-</u>	<u>215,144</u>	<u>-</u>	<u>54,806</u>	<u>616,076</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>98,409</u>	<u>33,353</u>	<u>449</u>	<u>(91,917)</u>	<u>4,136</u>	<u>(24,431)</u>	<u>19,999</u>
Other Financing Sources (Uses)							
Transfers in	58,000	50,396	80,000	-	88,776	-	277,172
Bonds issued	-	-	-	687,511	-	-	687,511
Payments to refunded bond escrow agent	-	-	-	(694,000)	-	-	(694,000)
Transfers out	(139,172)	(80,000)	-	-	(58,000)	-	(277,172)
Total Other Financing Sources (Uses)	<u>(81,172)</u>	<u>(29,604)</u>	<u>80,000</u>	<u>(6,489)</u>	<u>30,776</u>	<u>-</u>	<u>(6,489)</u>
Net Change in Cash Fund Balances	17,237	3,749	80,449	(98,406)	34,912	(24,431)	13,510
Cash Fund Balances, January 1	192,281	87,058	90,175	137,735	703,579	30,494	1,241,322
Cash Fund Balances, December 31	<u>\$ 209,518</u>	<u>\$ 90,807</u>	<u>\$ 170,624</u>	<u>\$ 39,329</u>	<u>\$ 738,491</u>	<u>\$ 6,063</u>	<u>\$ 1,254,832</u>

City of New Auburn, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds			Total
	Water	Sewer	Other Business-Type Activities	
Assets				
Current Assets				
Cash and cash equivalents	\$ 102,539	\$ 84,290	\$ 67,190	\$ 254,019
Accounts receivable	15,602	16,768	7,839	40,209
Special assessments - current portion	1,340	1,340	1	2,681
Total Current Assets	119,481	102,398	75,030	296,909
Noncurrent Assets				
Capital assets				
Land	-	252,000	-	252,000
Infrastructure	1,734,839	301,840	-	2,036,679
Machinery and equipment	6,797	42,779	-	49,576
Construction work in progress	15,710	65,957	17,406	99,073
Less accumulated depreciation	(623,514)	(135,829)	-	(759,343)
Total Noncurrent Assets	1,133,832	526,747	17,406	1,677,985
Total Assets	1,253,313	629,145	92,436	1,974,894
Deferred Outflows of Resources				
Deferred pension resources	7,118	7,426	-	14,544
Liabilities				
Current Liabilities				
Accounts payable	2,822	4,115	6,492	13,429
Accrued interest payable	734	-	-	734
Advances from other funds - current portion	20,000	-	-	20,000
Bonds payable - current portion	44,000	-	-	44,000
Total Current Liabilities	67,556	4,115	6,492	78,163
Noncurrent Liabilities				
Bonds payable - long-term portion	89,000	74,905	-	163,905
Net pension liability	23,500	24,514	-	48,014
Total Noncurrent Liabilities	112,500	99,419	-	211,919
Total Liabilities	180,056	103,534	6,492	290,082
Deferred Inflows of Resources				
Deferred pension resources	1,136	1,184	-	2,320
Net Position				
Net investment in capital assets	1,000,832	451,842	17,406	1,470,080
Unrestricted	78,407	80,011	68,538	226,956
Total Net Position	\$ 1,079,239	\$ 531,853	\$ 85,944	\$ 1,697,036

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

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

	Business-type Activities - Enterprise Funds			Total
	Water	Sewer	Other Business-Type Activities	
Operating Revenues				
Charges for services	\$ 128,958	\$ 134,739	\$ 61,869	\$ 325,566
Operating Expenses				
Personal services	29,998	31,562	-	61,560
Supplies	11,972	20,771	-	32,743
Utilities	4,842	2,794	-	7,636
Professional services	4,695	6,343	42,936	53,974
Insurance	2,452	1,857	-	4,309
Other charges	4,099	5,596	8,786	18,481
Depreciation	38,362	13,906	-	52,268
Total Operating Expenses	<u>96,420</u>	<u>82,829</u>	<u>51,722</u>	<u>230,971</u>
Operating Income (Loss)	<u>32,538</u>	<u>51,910</u>	<u>10,147</u>	<u>94,595</u>
Nonoperating Revenues (Expenses)				
Miscellaneous revenues	6,127	133	-	6,260
Interest earnings	150	149	-	299
Interest and fiscal charges	<u>(1,760)</u>	<u>(2,628)</u>	<u>-</u>	<u>(4,388)</u>
Total Nonoperating Revenues (Expenses)	<u>4,517</u>	<u>(2,346)</u>	<u>-</u>	<u>2,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,055	49,564	10,147	96,766
Capital Contributions - connection fees	<u>1,500</u>	<u>2,250</u>	<u>-</u>	<u>3,750</u>
Change in Net Position	38,555	51,814	10,147	100,516
Net Position , January 1	<u>1,040,684</u>	<u>480,039</u>	<u>75,797</u>	<u>1,596,520</u>
Net Position , December 31	<u>\$ 1,079,239</u>	<u>\$ 531,853</u>	<u>\$ 85,944</u>	<u>\$ 1,697,036</u>

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

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Business-Type Activities	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 130,350	\$ 136,158	\$ 60,088	\$ 326,596
Payments to suppliers	(28,756)	(37,711)	(48,272)	(114,739)
Payments to employees	(28,942)	(30,478)	-	(59,420)
Miscellaneous revenues	6,127	133	-	6,260
Net Cash Provided (Used) by Operating Activities	<u>78,779</u>	<u>68,102</u>	<u>11,816</u>	<u>158,697</u>
Cash Flows from Capital and Related Financing Activities				
Connection fees	1,500	2,250	-	3,750
Purchases of capital assets	(11,003)	(21,514)	(11,499)	(44,016)
Proceeds from bonds issued	-	89,000	-	89,000
Principal paid on bonds	(43,000)	(101,865)	-	(144,865)
Interest paid on bonds	(1,760)	(2,628)	-	(4,388)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,263)</u>	<u>(34,757)</u>	<u>(11,499)</u>	<u>(100,519)</u>
Cash Flows from Investing Activities				
Interest received on cash and cash equivalents	150	149	-	299
Net Increase (Decrease) in Cash and Cash Equivalents	24,666	33,494	317	58,477
Cash and Cash Equivalents, January 1	<u>77,873</u>	<u>50,796</u>	<u>66,873</u>	<u>195,542</u>
Cash and Cash Equivalents, December 31	<u>\$ 102,539</u>	<u>\$ 84,290</u>	<u>\$ 67,190</u>	<u>\$ 254,019</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 32,538	\$ 51,910	\$ 10,147	\$ 94,595
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	38,362	13,906	-	52,268
Miscellaneous revenues	6,127	133	-	6,260
Increase (decrease) in assets and and deferred outflows of resources				
Accounts receivable	724	751	(1,784)	(309)
Special assessments	668	668	3	1,339
Deferred pension resources	2,879	3,013	-	5,892
Increase (decrease) in liabilities and and deferred inflows of resources				
Accounts payable	(696)	(350)	3,450	2,404
Net pension liability	9,738	10,144	-	19,882
Deferred pension resources	(11,561)	(12,073)	-	(23,634)
Net Cash Provided by Operating Activities	<u>\$ 78,779</u>	<u>\$ 68,102</u>	<u>\$ 11,816</u>	<u>\$ 158,697</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	<u>\$ 1,842</u>	<u>\$ 3,684</u>	<u>\$ 3,042</u>	<u>\$ 8,568</u>

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of New Auburn, Minnesota, (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. The City has no component units that meet the GASB criteria.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying financial statements have been prepared the regulatory basis of accounting as described in the *Minnesota Office of the State Auditor’s Reporting and Publishing Requirements for Cities under 2,500 in Population* published in February of 2016. Under that basis, governmental fund receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental funds are used to account for the City’s general government activities and are accounted for using the regulatory basis of accounting. Their revenue is recognized when received in cash and expenditures are recognized when paid in cash. The regulatory basis of accounting is a special purpose framework other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected. For proprietary funds, 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 the use if 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 of a reimbursement basis.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City maintains the following major governmental funds:

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

The *Fire and Rescue Department fund* accounts for resources used to provide community support for fire and life saving measures.

The *Fire Department Capital fund* accounts for resources for fire equipment purchases.

The *2022A G.O. Refunding Improvement Bond fund* accounts for the resources restricted for principal and interest payments on the 2022A G.O. Refunding Improvement Bond.

The *Capital Depreciation fund* accounts for resources to be used for future capital purchases.

The City reports the following major proprietary funds:

The *Water fund* accounts for the water production and distribution of the City.

The *Sewer fund* accounts for the collection of sewer for the City.

The *Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity

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 relating to checking accounts are pooled while certificates of deposits are tracked by individual fund. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

The City has not adopted a formal investment policy.

Property Taxes

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable in the enterprise funds include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer 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. In the proprietary funds, these assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue upon receipt in the governmental funds.

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."

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in enterprise funds. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 financial statements regardless of their amount.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant, and equipment of the proprietary funds of the City are depreciated using the straight-line method over the following estimated useful lives:

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Long-term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

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 PEDCP is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Total
	GERP	PEDCP	
Pension Expense	\$ 13,295	\$ 50	\$ 13,345

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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:

Non-spendable - 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 non-spendable 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 Clerk or Treasurer.

Unassigned - The residual classification for the General fund and 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 40 percent of budgeted operating expenditures for cash-flow timing needs.

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 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 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.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is a basis of accounting that is not consistent with accounting principles generally accepted in the United States of America for the General fund and the Fire and Rescue Department fund. There were no budget amendments made in 2022. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level.

Note 3: Detailed Notes on Accounts

A. Cash Deposits with Financial Institutions

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

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

At year end, the City's carrying amount of deposits was \$1,041,148 and the bank balance was \$1,048,597. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

Investments

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

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 6 months	\$ 447,703	\$ -	\$ -	\$ -

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

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

N/A N/A indicates not applicable or available.

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

Funds	Amount
Governmental	\$ 1,234,832
Enterprise	254,019
Total cash and investments	\$ 1,488,851
Cash and investments	
Deposits	\$ 1,041,148
Investments	447,703
Total	\$ 1,488,851

B. Interfund Receivables, Payables and Transfers

Due to/from funds represent loans expected to be repaid. The amount owing between funds represents amounts borrowed for capital costs. At year end, the balances were as follows:

Receivable Fund	Payable Fund	Amount
Capital Depreciation Fund	Water	\$ 20,000

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

The City made transfers during the year as shown and described below:

Fund	Transfer In				Total
	101 General Fund	229 Fire and Rescue Department Fund	224 Fire Capital Fund	226 Capital Depreciation Fund	
Transfer Out					
General Fund	\$ -	\$ 50,396	\$ -	\$ 88,776	\$ 139,172
Fire and Rescue Department Fund	-	-	80,000	-	80,000
Capital Depreciation Fund	58,000	-	-	-	58,000
Total	<u>\$ 58,000</u>	<u>\$ 50,396</u>	<u>\$ 80,000</u>	<u>\$ 88,776</u>	<u>\$ 277,172</u>

- The General fund made a transfer of \$88,776 to the Capital Depreciation fund for future capital needs.
- The Fire and Rescue Department fund made a transfer of \$80,000 to the Fire Capital Fund to assist in purchase of Fire Truck.
- The General fund made a transfer of \$50,396 to the Fire and Rescue Department fund for Fire Services
- The Capital Depreciation fund made a transfer of \$58,000 to the General fund to help pay for sealcoating costs

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 252,000	\$ -	\$ -	\$ 252,000
Construction in progress	46,489	52,584	-	99,073
Total Capital Assets Not Being Depreciated	<u>298,489</u>	<u>52,584</u>	<u>-</u>	<u>351,073</u>
Capital Assets Being Depreciated				
Infrastructure	2,036,679	-	-	2,036,679
Machinery and equipment	49,576	-	-	49,576
Total Capital Assets Being Depreciated	<u>2,086,255</u>	<u>-</u>	<u>-</u>	<u>2,086,255</u>
Less Accumulated Depreciation for				
Infrastructure	(675,487)	(44,399)	-	(719,886)
Machinery and equipment	(31,588)	(7,869)	-	(39,457)
Total Accumulated Depreciation	<u>(707,075)</u>	<u>(52,268)</u>	<u>-</u>	<u>(759,343)</u>
Total Capital Assets Being Depreciated, Net	<u>1,379,180</u>	<u>(52,268)</u>	<u>-</u>	<u>1,326,912</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,677,669</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 1,677,985</u>

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

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

Business-type Activities

Water	\$ 38,362
Sewer	13,906
	13,906
Total Depreciation Expense - Business-type Activities	\$ 52,268

D. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for government and proprietary activities.

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

General Obligation Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Refunding Bonds, Series 2022	\$ 694,000	1.30 %	01/18/22	02/01/29	\$ 584,095
G.O Abatement Refunding Bonds, Series 2020B	395,472	2.00 - 2.81 %	02/01/21	02/01/37	353,760
Total General Obligation Bonds					\$ 937,855

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2023	\$ -	\$ 4,547	\$ 4,547
2024	132,704	16,319	149,023
2025	136,777	14,412	151,189
2026	108,942	12,655	121,597
2027	112,752	34,106	146,858
2028 - 2032	307,551	28,876	336,427
2033 - 2037	139,129	9,791	148,920
Total	\$ 937,855	\$ 120,706	\$ 1,058,561

General Obligation Revenue Bonds

General obligation revenue bonds were issued to finance improvements to the water and sewer system. They will be repaid with future utility charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2022 G.O. Sewer Revenue Refunding Bond	\$ 89,000	1.30 %	01/18/22	02/01/29	\$ 74,905
2006 G.O. Water Revenue Bond	1,078,344	1.00	08/23/06	08/20/25	133,000
Total G.O. Revenue Bonds					\$ 207,905

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
Revenues	\$ 128,958	\$ 134,739
Principal and Interest	44,760	104,493
Percentage of Revenues	34.7%	77.6%

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

The annual requirements to amortize G.O. revenue bonds as of December 31, 2022 are as follows:

Year Ending December 31	Business-type Activities		
	Principal	Interest	Total
2023	\$ 44,000	\$ 1,913	\$ 45,913
2024	58,208	1,964	60,172
2025	59,663	1,336	60,999
2026	11,026	719	11,745
2027	11,480	541	12,021
2028 - 2029	23,528	435	23,963
Total	<u>\$ 207,905</u>	<u>\$ 6,908</u>	<u>\$ 214,813</u>

Changes in General Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Special					
Assessment Bonds	\$ 770,000	\$ 694,000	\$ (879,905)	\$ 584,095	\$ -
Abatement Bonds	395,472	-	(41,712)	353,760	-
Governmental Activities					
Long-term Liabilities	<u>\$ 1,165,472</u>	<u>\$ 694,000</u>	<u>\$ (921,617)</u>	<u>\$ 937,855</u>	<u>\$ -</u>
Business-type Activities					
Bonds Payable					
General Obligations Revenue Bonds	<u>\$ 263,770</u>	<u>\$ 89,000</u>	<u>\$ (144,865)</u>	<u>\$ 207,905</u>	<u>\$ 44,000</u>

Refunding Bond Issue

On January 18, 2022, the City of New Auburn issued General Obligation Refunding Bonds, Series 2022A for an issue price of \$783,000. This bond was issued to provide money to refund the City's outstanding General Obligation Sewer Revenue Bond of 2004, in the original principal amount of \$400,000 and to refund the City's outstanding General Obligation Improvement Crossover Refunding Bonds, Series 2015A, in the original principal amount of \$1,025,000. Of the \$783,000 issue price, \$89,000 is for environment and \$694,000 is for various municipal improvements. The economic savings of refunding the 2004 GO Bond and the 2015A GO Refunding Bond is \$129,916. The call date on the refunded bonds was 2/01/2022.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on Accounts (Continued)

E. Components of Fund Balance

At December 31, 2022, portions of the City's fund balance are not available for appropriation due to not being in legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Capital Depreciation Fund	Fire and Rescue Department Fund	Fire Capital Fund	RS Fiber	2015A G.O. Refunding Improvement Bond	Total
Fund Balances							
Restricted							
American rescue plan act	\$ -	\$ -	\$ 37,867	\$ -	\$ -	\$ -	\$ 37,867
Scoreboard improvements	-	1,271	-	-	-	-	1,271
City Sign	2,090	-	-	-	-	-	2,090
Cemetary Donation	5,000	-	-	-	-	-	5,000
Park improvements	137	2,500	-	-	-	-	2,637
Debt service	-	-	-	-	6,063	39,329	45,392
Total restricted	<u>7,227</u>	<u>3,771</u>	<u>37,867</u>	<u>-</u>	<u>6,063</u>	<u>39,329</u>	<u>94,257</u>
Committed							
Fire operations	-	47,756	52,940	66,647	-	-	167,343
Building improvements	-	30,000	-	-	-	-	30,000
Street improvements	-	25,000	-	-	-	-	25,000
Vehicle replacement	-	80,000	-	103,977	-	-	183,977
Equipment replacement	-	50,000	-	-	-	-	50,000
Total committed	<u>-</u>	<u>232,756</u>	<u>52,940</u>	<u>170,624</u>	<u>-</u>	<u>-</u>	<u>456,320</u>
Assigned							
Future capital items	-	501,964	-	-	-	-	501,964
Unassigned	<u>202,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,291</u>
Total Fund Balance	<u>\$ 209,518</u>	<u>\$ 738,491</u>	<u>\$ 90,807</u>	<u>\$ 170,624</u>	<u>\$ 6,063</u>	<u>\$ 39,329</u>	<u>\$ 1,254,832</u>

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 Fund (GERP)

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

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

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

B. Benefits Provided

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

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. 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$7,230, \$7,133 and \$7,329, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$102,960 for its proportionate share of the General Employee Fund's net pension liability. The enterprise funds' portion of that amount is \$48,014. 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 \$3,158. 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. At June 30, 2022, the City's proportion was 0.0014 percent which was a 0.0001 percent decrease in its proportion since measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$	102,960
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		3,158
Total		\$ 106,118

For the year ended December 31, 2022, the City recognized pension expense of \$12,823 for its proportionate share of GERF's pension expense. In addition, the City recognized \$472 as additional pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

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 from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 401	\$ 549
Changes in Actuarial Assumptions	11,677	196
Net Difference Between Projected and Actual Earnings on Plan Investments	-	579
Changes in Proportion	699	996
Contributions to PERA Subsequent to the Measurement Date	1,767	-
Total	\$ 14,544	\$ 2,320

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The \$1,767 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 GERP pensions will be recognized in pension expense as follows:

2023	\$	4,314
2024		3,802
2025		(2,000)
2026		4,341
2027		-
Thereafter		-

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 Stocks	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

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. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions 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, 2021 actuarial valuations if approved by the Legislature.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

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.

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 Plan	\$ 162,631	\$ 102,960	\$ 54,021

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.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

The City has City Council members that are covered by the Public Employees Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 50	\$ 50	5.00%	5.00%	5.00%

The City and council member's contributions to the PEDCP plan for the years ending December 31, 2022, 2021 and 2020 were \$50, \$110, and \$90, respectively.

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. During the year, the City obtained 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. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the prior three years.

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City currently has no general obligation debt outstanding subject to this limit.

City of New Auburn, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 6: Other Information (Continued)

C. Joint Venture

Renville-Sibley County Fiber Joint Powers Agency

During 2014, the City of New Auburn entered into a joint powers agreement with several surrounding cities and townships for a high-speed fiber-optic connection project known as the RS Fiber Cooperative (the Cooperative). The Cooperative will be funded by various sources including the issuance of a Tax Abatement Bond by the City of Winthrop, the Cooperative's fiscal agent. Consequently, the Cooperative's members will be responsible for any shortfall of revenues based on the members' appropriate percentage share. This Bond was refunded with the 2020B funds on December 15, 2020 with the New Auburn's portion of remaining bond principal of \$395,472 through the 2020B GO Tax Abatement Refunding Bonds. These payments are made directly to the fiscal agent. As of December 31, 2022 the balance remaining is \$353,760.

D. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2022 was \$143,304 the General fund. This accounted for 22.1 percent of General fund revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of New Auburn, Minnesota
Required Supplementary Information
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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0013 %	\$ 102,960	\$ 3,158	\$ 106,118	\$ 98,587	104.4 %	76.7 %
6/30/2021	0.0014	59,786	1,772	61,558	97,512	61.3	87.0
6/30/2020	0.0013	77,941	2,511	80,452	96,216	81.0	79.0
6/30/2019	0.0013	71,874	2,333	74,207	93,954	76.5	80.2
6/30/2018	0.0013	72,119	2,467	74,586	94,462	76.3	79.5
6/30/2017	0.0013	82,991	1,075	84,066	86,157	96.3	75.9
6/30/2016	0.0013	105,554	1,361	106,915	76,447	138.1	68.9

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	\$ 7,594	\$ 7,594	\$ -	\$ 101,258	7.50 %
12/31/2021	7,230	7,230	-	96,404	7.50
12/31/2020	7,133	7,133	-	95,108	7.50
12/31/2019	7,329	7,329	-	97,724	7.50
12/31/2018	6,818	6,818	-	90,905	7.50
12/31/2017	6,912	6,912	-	92,161	7.50
12/31/2016	6,190	6,190	-	82,538	7.50

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

City of New Auburn, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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

City of New Auburn, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of New Auburn, Minnesota
Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2022

	Storm Water	Garbage	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 64,337	\$ 2,853	\$ 67,190
Accounts receivable	2,312	5,527	7,839
Special assessments - current portion	1	-	1
Total Current Assets	66,650	8,380	75,030
Noncurrent Assets			
Capital assets			
Construction work in progress	17,406	-	17,406
Total Assets	84,056	8,380	92,436
Liabilities			
Current Liabilities			
Accounts payable	3,042	3,450	6,492
Net Position			
Net investment in capital assets	17,406	-	17,406
Unrestricted	63,608	4,930	68,538
Total Net Position	\$ 81,014	\$ 4,930	\$ 85,944

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

	<u>Storm Water</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues			
Charges for services	<u>\$ 16,800</u>	<u>\$ 45,069</u>	<u>\$ 61,869</u>
Operating Expenses			
Professional services	3,042	39,894	42,936
Other charges	<u>4,522</u>	<u>4,264</u>	<u>8,786</u>
Total Operating Expenses	<u>7,564</u>	<u>44,158</u>	<u>51,722</u>
Change in Net Position	9,236	911	10,147
Net Position, January 1	<u>71,778</u>	<u>4,019</u>	<u>75,797</u>
Net Position, December 31	<u><u>\$ 81,014</u></u>	<u><u>\$ 4,930</u></u>	<u><u>\$ 85,944</u></u>

City of New Auburn, Minnesota
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended December 31, 2022

	Storm Water	Garbage	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 16,819	\$ 43,269	\$ 60,088
Payments to suppliers	(7,564)	(40,708)	(48,272)
Net Cash Provided (Used) by Operating Activities	9,255	2,561	11,816
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(11,499)	-	(11,499)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,244)	2,561	317
Cash and Cash Equivalents, January 1	66,581	292	66,873
Cash and Cash Equivalents, December 31	\$ 64,337	\$ 2,853	\$ 67,190
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 9,236	\$ 911	\$ 10,147
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Increase (decrease) in assets and and deferred outflows of resources			
Accounts receivable	16	(1,800)	(1,784)
Special assessments	3	-	3
Accounts payable	-	3,450	3,450
Net Cash Provided by Operating Activities	\$ 9,255	\$ 2,561	\$ 11,816
Schedule of Noncash Investing, Capital and Financing Activities			
Capital assets acquired on account	\$ 3,042	\$ -	\$ 3,042

City of New Auburn, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (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 Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 192,281	\$ 192,281	\$ 192,281	\$ -	\$ 233,599
Receipts					
Taxes					
Property Taxes	165,247	165,247	175,339	10,092	160,135
Licenses and Permits	3,265	3,265	4,928	1,663	2,585
Intergovernmental					
Federal					
ARPA	-	23,121	-	(23,121)	23,878
State					
Local government aid	143,304	143,304	143,304	-	141,395
Small cities assistance	-	-	-	-	18,416
Market value credits	-	-	493	493	498
Fire aid	13,000	13,000	27,222	14,222	-
County					
County grants	12,404	12,404	12,407	3	12,097
Total Intergovernmental	168,708	191,829	183,426	(8,403)	196,284
Charges for services					
General government	245	245	453	208	156
Cemetery	1,600	1,600	2,860	1,260	3,180
Total Charges For Services	1,845	1,845	3,313	1,468	3,336
Fines and Forfeitures	600	600	456	(144)	753
Interest Earnings	200	200	440	240	197
Miscellaneous					
Refunds and reimbursements	-	-	969	969	1,241
Contributions and donations	-	-	17,090	17,090	3,242
Other	9,800	9,800	11,661	1,861	30,705
Total Miscellaneous	9,800	9,800	29,720	19,920	35,188
Total Receipts	349,665	372,786	397,622	24,836	398,478
Other Financing Sources					
Transfers in	-	-	58,000	58,000	-
Total Receipts and Other Financing Sources	349,665	372,786	455,622	82,836	398,478
Amounts Available for Appropriation	541,946	565,067	647,903	82,836	632,077

City of New Auburn, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements					
Current					
General government					
Mayor and Council					
Personal services	\$ 5,480	\$ 5,480	\$ 5,585	\$ (105)	\$ 5,585
Other services and charges	70	70	30	40	30
Total Mayor and Council	<u>5,550</u>	<u>5,550</u>	<u>5,615</u>	<u>(65)</u>	<u>5,615</u>
City clerk					
Personal services	26,691	26,691	26,658	33	26,057
Supplies	2,730	2,730	1,999	731	2,921
Other services and charges	4,800	4,800	6,149	(1,349)	5,656
Total City Clerk	<u>34,221</u>	<u>34,221</u>	<u>34,806</u>	<u>(585)</u>	<u>34,634</u>
City hall					
Personal services	17,028	17,028	14,816	2,212	15,751
Supplies	6,000	6,000	1,314	4,686	1,264
Other services and charges	71,621	71,621	42,751	28,870	35,937
Total City Hall	<u>94,649</u>	<u>94,649</u>	<u>58,881</u>	<u>35,768</u>	<u>52,952</u>
Elections					
Personal services	2,000	2,000	1,512	488	-
Supplies	100	100	899	(799)	-
Other services and charges	125	125	395	(270)	-
Total Elections	<u>2,225</u>	<u>2,225</u>	<u>2,806</u>	<u>(581)</u>	<u>-</u>
Auditing services					
Other services and charges	<u>15,000</u>	<u>15,000</u>	<u>14,900</u>	<u>100</u>	<u>14,500</u>
Assessor					
Other services and charges	<u>2,500</u>	<u>2,500</u>	<u>2,606</u>	<u>(106)</u>	<u>2,500</u>
Legal					
Other services and charges	<u>10,000</u>	<u>10,000</u>	<u>9,630</u>	<u>370</u>	<u>9,042</u>
Total General Government	<u>164,145</u>	<u>164,145</u>	<u>129,244</u>	<u>34,901</u>	<u>119,243</u>
Public safety					
Police					
Other services and charges	<u>9,855</u>	<u>9,855</u>	<u>9,855</u>	<u>-</u>	<u>9,855</u>
Public safety					
Fire					
Other services and charges	<u>31,500</u>	<u>31,500</u>	<u>27,222</u>	<u>4,278</u>	<u>4,785</u>
Total Public Safety	<u>41,355</u>	<u>41,355</u>	<u>37,077</u>	<u>4,278</u>	<u>14,640</u>
Streets and highways					
Street maintenance					
Personal services	17,080	17,080	13,516	3,564	12,737
Supplies	10,000	10,000	4,536	5,464	3,020
Other services and charges	22,105	22,105	85,773	(63,668)	19,046
Total Streets and Highways	<u>49,185</u>	<u>49,185</u>	<u>103,825</u>	<u>(54,640)</u>	<u>34,803</u>

City of New Auburn, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022			2021	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements (Continued)					
Current (Continued)					
Sanitation and recycling					
Other services and charges	\$ 5,400	\$ 5,400	\$ 5,400	\$ -	\$ 5,400
Culture and recreation					
Parks					
Personal services	12,122	12,122	8,988	3,134	7,913
Supplies	3,100	3,100	1,193	1,907	1,092
Other services and charges	2,500	2,500	1,734	766	2,159
Total Culture and Recreation	<u>17,722</u>	<u>17,722</u>	<u>11,915</u>	<u>5,807</u>	<u>11,164</u>
Miscellaneous					
Cemetery					
Personal services	8,561	8,561	5,462	3,099	4,547
Supplies	700	700	6,290	(5,590)	2,731
Other services and charges	100	100	-	100	-
Total Miscellaneous	<u>9,361</u>	<u>9,361</u>	<u>11,752</u>	<u>(2,391)</u>	<u>7,278</u>
Total Current	<u>287,168</u>	<u>287,168</u>	<u>299,213</u>	<u>(12,045)</u>	<u>192,528</u>
Debt service					
Principal	10,000	10,000	-	10,000	8,838
Interest and other	-	-	-	-	192
Total Debt Service	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>9,030</u>
Capital outlay					
General government	16,000	16,000	-	16,000	-
Culture and recreation	1,600	1,600	-	1,600	3,360
Miscellaneous	1,500	1,500	-	1,500	3,360
Total Capital Outlay	<u>19,100</u>	<u>19,100</u>	<u>-</u>	<u>19,100</u>	<u>6,720</u>
Total Disbursements	316,268	316,268	299,213	17,055	208,278
Other Financing Uses					
Transfers out	56,518	56,518	139,172	(82,654)	231,518
Total Disbursements and Other Financing Uses	<u>372,786</u>	<u>372,786</u>	<u>438,385</u>	<u>(65,599)</u>	<u>439,796</u>
Budgetary Fund Balances, December 31	<u>\$ 169,160</u>	<u>\$ 192,281</u>	<u>\$ 209,518</u>	<u>\$ 17,237</u>	<u>\$ 192,281</u>

City of New Auburn, Minnesota
 Fire and Rescue Department Fund
 Budgetary Comparison Schedule - Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 87,058	\$ 87,058	\$ 87,058	\$ -	\$ 58,333
Receipts					
Intergovernmental	-	-	27,878	27,878	1,600
Charges for services	26,518	26,518	28,298	1,780	31,078
Miscellaneous	-	-	24,090	24,090	4,731
Total Receipts	26,518	26,518	80,266	53,748	37,409
Other Financing Sources					
Transfers in	-	-	50,396	50,396	26,518
Total Receipts and Other Financing Sources	26,518	26,518	130,662	104,144	63,927
Amounts Available for Appropriation	113,576	113,576	217,720	104,144	122,260
Disbursements					
Current					
Public safety					
Personal services	18,900	18,900	12,819	6,081	13,978
Supplies	8,200	8,200	4,482	3,718	3,686
Other services and charges	21,936	21,936	18,080	3,856	16,269
Capital outlay					
Public safety	4,000	4,000	11,532	(7,532)	1,269
Total Disbursements	53,036	53,036	46,913	6,123	35,202
Other Financing Uses					
Transfers out	-	-	80,000	(80,000)	-
Total Disbursements and Other Financing Uses	53,036	53,036	126,913	(73,877)	35,202
Budgetary Fund Balances, December 31	\$ 60,540	\$ 60,540	\$ 90,807	\$ 30,267	\$ 87,058

City of New Auburn, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2022 and 2021

	Totals		Percent Increase (Decrease)
	2022	2021	
Receipts			
Taxes	\$ 305,261	\$ 282,993	7.87 %
Special assessments	23,680	19,709	20.15
Licenses and permits	4,928	2,585	90.64
Intergovernmental	211,304	197,884	6.78
Charges for services	31,611	34,414	(8.14)
Fines and forfeitures	456	753	(39.44)
Interest earnings	5,025	812	518.84
Miscellaneous	53,810	39,919	34.80
	<u>\$ 636,075</u>	<u>\$ 579,069</u>	9.84 %
Total Receipts	<u>\$ 636,075</u>	<u>\$ 579,069</u>	9.84 %
Per Capita	\$ 1,536	\$ 1,409	9.05 %
Disbursements			
Current			
General government	\$ 129,244	\$ 119,243	8.39 %
Public safety	72,458	48,573	49.17
Streets and highways	103,825	56,803	82.78
Sanitation	5,400	5,400	-
Culture and recreation	11,915	11,164	6.73
Cemetery	11,752	7,278	61.47
Debt service	269,950	138,532	94.86
Capital outlay			
Public safety	11,532	1,269	808.75
Culture and recreation	-	3,360	N/A
Miscellaneous	-	3,360	N/A
	<u>\$ 616,076</u>	<u>\$ 394,982</u>	55.98 %
Total Disbursements	<u>\$ 616,076</u>	<u>\$ 394,982</u>	55.98 %
Per Capita	\$ 1,488	\$ 961	54.85 %
Total Long-term Indebtedness	\$ 937,855	\$ 1,165,472	(19.53) %
Per Capita	2,265	2,836	(20.11)
General Fund Balance - December 31	\$ 209,518	\$ 192,281	8.96 %
Per Capita	506	468	8.17

The purpose of this report is to provide a summary of financial information concerning the City of New Auburn to interested citizens. The complete financial statements may be examined at City Hall, 8203 8th Avenue, New Auburn, Minnesota 55366. Questions about this report should be directed to Roberta Zaske, Clerk at 320-864-5831.

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SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of New Auburn, Minnesota
 Supplementary Information - Unaudited
 For the Year Ended December 31, 2022

Schedule of Accounts Receivable

Fund	Vendor	Description	Amount
100	Sibley County	January 2022 Tax Settlement	\$ 343
100	Immanuel Lutheran Church	Donation for Cemetery	600
335	Sibley County	January 2022 Tax Settlement	398
336	Sibley County	January 2022 Tax Settlement	58
Total Accounts Receivable			<u>\$ 1,399</u>

Schedule of Accounts Payable and Contingent Liabilities

Fund	Vendor	Description	Amount
100	American Solutions	Supplies	\$ 188
100	Quill	Supplies	50
100	Verizon	Phone	34
100	Glencoe Coop	LP Gas	1,435
100	Sibley County DAC	Cleaning	31
100	Cardmember Services	Fuel	126
100	Agri-Fleet	Supplies	41
100	Glencoe Auto Value	Oil/filter	103
100	Waterville Solar (Nov)	Solar power	190
100	Fill Me Up	Diesel fuel	608
100	Gaylord Sanitation	Recycling	2,700
100	Xcel	Electricity	1,637
100	Vivial	Online data services	65
229	American Solutions	Supplies	25
229	Glencoe Coop	LP Gas	216
229	MES	Fire equipment	3,551
229	Waterville Solar (Nov)	Solar power	41
229	Fill Me Up	Fuel	83
229	Xcel	Electricity	176
601	American Solutions	Supplies	25
601	Quill	Supplies	48
601	Gopher State One Call	Locates	1
601	Hawkins	Water supplies	10
601	WWOTA	Water specialist	235
601	Waterville Solar (Nov)	Solar power	122
601	SEH	Engineering	1,842
601	Xcel	Electricity	539
602	American Solutions	Supplies	25
602	Quill	Supplies	48
602	Gopher State One Call	Locates	1
602	WWOTA	Water Specialist	233
602	Waterville Solar (Nov)	Solar power	43
602	SEH	Engineering	3,684
602	Xcel	Electricity	9
602	McLeod Coop	Electricity	72
603	SEH	Engineering	1,842
603	SEH	Engineering	1,200
604	Gaylord Sanitation	Recycling	3,450
Total Accounts Payable			<u>\$ 24,729</u>

OTHER REQUIRED REPORTS

CITY OF NEW AUBURN
NEW AUBURN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and Council
City of New Auburn, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining funds of the City of New Auburn, Minnesota, (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2023. In our report, our opinion was adverse because the City prepared its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of New Auburn failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as noted on the Schedule of Findings and Responses as finding 2021-004. 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 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.

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



Abdo
Mankato, Minnesota
March 2, 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 Council
City of New Auburn, Minnesota

We have audited the financial statements of each major fund of the governmental and proprietary funds of the City of New Auburn, Minnesota, (the City), as of and for the year ended December 31, 2022, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 2, 2023. In our report, our opinion was modified because the City prepares its governmental fund financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as response item 2022-003 and 2022-005 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-004.

The City's Responses to Findings

The City's responses to the findings in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses 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 over financial reporting and on compliance and other matters, 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 and other matters. This 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 on compliance and other matters. Accordingly, this report is not suitable for any other purpose.



Abdo
Mankato, Minnesota
March 2, 2023



City of New Auburn, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over transaction cycles related to cash disbursements, payroll and utility billing, receipting, capital assets, and financial reporting. We found the City to have limited segregation of duties in these transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend the City review current job duties and staff capabilities. For disbursements, all invoices should be approved prior to payment. For utility billing, the City should consider having someone not involved in the utility billing process review the quarterly billing registers, including receipts, billings and adjustments. The City should also develop more detailed written procedures. Written procedures would provide a better foundation to train existing and new staff on job tasks.
<i>Management Response:</i>	The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This doesn't always allow for complete segregation. The City will continue to review its processes and make changes where possible.

City of New Auburn, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-002	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. 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. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated.
<i>Cause:</i>	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.
<i>Effect:</i>	<p>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 disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.</p> <p>The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies on internal controls can result in undetected errors.</p>
<i>Recommendation:</i>	Under these circumstances, the most effective controls like in management's knowledge of the City's financial operations. Regarding the specific situations listed above, we would offer the following specific recommendations: utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers; agree your CTAS receipt and disbursement information to the numbers reported in the financial statements plus any applicable accruals; it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response</i>	For now, the City accepts the degree of risk associated with this condition but is prepared to engage the services of a qualified party in the future if its own staff needs outside help in this matter.

City of New Auburn, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-003	Material Audit Adjustment
<i>Condition:</i>	During our audit, a material audit adjustment was needed to correct the coding of taxes and assessments revenue classifications.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements.
<i>Cause:</i>	The City receipted tax settlements into the improper general ledger accounts.
<i>Effect:</i>	The tax and special assessment revenues were incorrectly classified in the general ledger.
<i>Recommendation:</i>	We recommend that management review the related journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	Management understands the finding and plans to ensure that tax revenues and receivables are correctly coded going forward.
2022-004	Responsible Contractor
<i>Condition:</i>	Auditing for legal compliance requires a review of the City's contracting and bidding. Our study indicated an instance of noncompliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute §16C.285 Subd. 3 requires contractors doing public work to verify the minimum criteria for a "responsible contractor" as set forth in the statute if the contract exceeds \$50,000.
<i>Cause:</i>	We noted one contract where the City was not able to provide evidence that appropriate documentation was received.
<i>Effect:</i>	As a result, the City is not in compliance with the statute.
<i>Recommendation:</i>	We recommend the City review the statute and obtain such documentation on future contracts.
<i>Management Response:</i>	Management is aware of the condition and has taken the proper steps to ensure compliance in the future.

City of New Auburn, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-005	Timely bank reconciliation
<i>Condition:</i>	During our audit, a material weakness was observed with bank reconciliation timing inconsistencies resulting to adjusting entries during the audit to record transfers and receipt of transfers not made.
<i>Criteria:</i>	Internal controls should be in place to ensure completeness and accuracy of financial transactions to prevent or detect a material misstatement in the financial statements.
<i>Cause:</i>	The City overlooked the necessary transaction in CTAS regardless of the bank transaction completion.
<i>Effect:</i>	Cash balances were understated for governmental funds.
<i>Recommendation:</i>	We recommend additional review of the bank reconciliation process by another individual upon completion to ensure funds are stated correctly.
<i>Management Response:</i>	The City will review its processes and make changes where possible.