CITY OF WELCOME
WELCOME, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

CITY OF WELCOME, MINNESOTA

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CITY OF WELCOME, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023

ELECTED

Name	Title	Term Expires
Dan Schmidtke	Mayor	December 31, 2024
Elroy Glidden	Council Member	December 31, 2024
Kim Holm	Council Member	December 31, 2026
Eric Anderson	Council Member	December 31, 2024
Lynda Stauter	Council Member	December 31, 2026

APPOINTED

Name	Title
Deb Hansen	Clerk/Treasurer
Max Longley	Street Superintendent
Jay Mulso	Fire Chief
Edman & Edman	City Attorney

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
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Annandale, MN 55302
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Mankato, MN 56001
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Experienced... *Over 40 years combined experience*

Affordable... *Exceptional value for a reasonable price*

Friendly... *Family owned and run since 1990*

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Welcome, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Welcome, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Economic Development Authority for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which 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.

**Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the pension liability schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information as listed in the table of contents under supplemental section 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2022 financial statements and have expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, in our report dated April 13, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 16, 2024

BASIC FINANCIAL STATEMENTS

CITY OF WELCOME, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Cash Equivalents	$ 2,742,370	$ 258,733	$ 3,001,103
Investments	2,262,155	0	2,262,155
Receivables:			
Accounts	6,022	25,990	32,012
Property Taxes	19,996	0	19,996
Notes, Net of Allowance	180,557	0	180,557
Prepaid Expenses	39,857	15,842	55,699
Special Assessments	310,591	0	310,591
Net Pension Asset	38,563	0	38,563
Capital Assets not Being Depreciated	52,319	5,150	57,469
Other Capital Assets, Net of Depreciation	5,224,305	3,018,206	8,242,511
Equity Interest in Joint Venture	0	40,623	40,623
Total Assets	10,876,735	3,364,544	14,241,279
Deferred Outflows of Resources:			
Pension Deferments	95,576	22,349	117,925
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,972,311	$ 3,386,893	$ 14,359,204
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accounts Payable	$ 89,388	$ 7,594	$ 96,982
Accrued Expenses	48,856	20,614	69,470
Current Portion of Long-term Debt	230,000	143,000	373,000
Long-term Debt, Net of Current Portion	3,346,623	2,140,044	5,486,667
Net Pension Liability	100,158	34,047	134,205
Total Liabilities	3,815,025	2,345,299	6,160,324
Deferred Inflows of Resources:			
Pension Deferments	79,270	24,994	104,264
Net Position:			
Net Investment in Capital Assets	1,700,000	740,314	2,440,314
Restricted	2,162,298	0	2,162,298
Unrestricted	3,215,718	276,286	3,492,004
Total Net Position	7,078,016	1,016,600	8,094,616
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 10,972,311	$ 3,386,893	$ 14,359,204

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	$ 150,204	$ 5,086	$ 0	$ 0
Public Safety	482,664	26,147	16,821	0
Public Works	408,004	0	0	16,159
Parks and Recreation	89,557	350	0	0
Economic Development	125,131	110,630	0	0
Interest on Long-Term Debt	81,859	0	0	0
Total Governmental Activities	1,337,419	142,213	16,821	16,159
BUSINESS-TYPE ACTIVITIES:				
Water	270,984	151,310	0	0
Sewer	228,927	149,446	0	0
Storm Sewer	7,140	10,839	0	0
Total Business-type Activities	507,051	311,595	0	0
Total Primary Government	$ 1,844,470	$ 453,808	$ 16,821	$ 16,159

General Revenues:
- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- Intergovernmental
- Interest and Investments Earnings
- Other Revenues
- Transfers In (Out)
- Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (145,118)	$ 0	$ (145,118)
(439,696)	0	(439,696)
(391,845)	0	(391,845)
(89,207)	0	(89,207)
(14,501)	0	(14,501)
(81,859)	0	(81,859)
(1,162,226)	0	(1,162,226)
0	(119,674)	(119,674)
0	(79,481)	(79,481)
0	3,699	3,699
0	(195,456)	(195,456)
(1,162,226)	(195,456)	(1,357,682)
795,702	0	795,702
337,662	45,678	383,340
263,907	0	263,907
120,528	12,337	132,865
57,711	0	57,711
42,000	(42,000)	0
1,617,510	16,015	1,633,525
455,284	(179,441)	275,843
6,622,732	1,196,041	7,818,773
$ 7,078,016	$ 1,016,600	$ 8,094,616

The Notes to the Financial Statements are an Integral Part of this Statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General	Revolving Loan	Economic Development Aurthority
ASSETS			
Cash and Cash Equivalents	$ 676,453	$ 456,368	$ 6,583
Investments	2,117,126	91,923	53,106
Receivables:			
Interest	533	0	0
Franchise Fee	5,489	0	0
Property Taxes	19,814	0	0
Notes, Net of Allowance	0	180,557	0
Due From Other Funds	824	0	0
Prepaid Expenses	29,169	0	10,688
Special Assessments	14,533	0	0
Advance to Other Funds	4,579	0	0
TOTAL ASSETS	$ 2,868,520	$ 728,848	$ 70,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	$ 80,387	$ 0	$ 6,092
Tenant Deposits	0	0	9,020
Accrued Wages	2,909	0	0
Due to Other Funds	0	824	0
Advance from Other Funds	0	0	4,579
Total Liabilities	83,296	824	19,691
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	14,533	0	0
Unavailable Revenue - Delinquent Taxes	18,799	0	0
Total Deferred Inflows of Resources	33,332	0	0
Fund Balance:			
Nonspendable	134,449	0	10,688
Restricted	30,807	728,024	0
Committed	0	0	39,998
Assigned	376,973	0	0
Unassigned	2,209,663	0	0
Total Fund Balance	2,751,892	728,024	50,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 2,868,520	$ 728,848	$ 70,377

The Notes to the Financial Statements are an Integral Part of this Statement.

Debt Service	Capital Projects	Total Governmental Funds
$ 1,040,824	$ 562,142	$ 2,742,370
0	0	2,262,155
0	0	533
0	0	5,489
182	0	19,996
0	0	180,557
0	0	824
0	0	39,857
296,058	0	310,591
0	0	4,579
$ 1,337,064	$ 562,142	$ 5,566,951
$ 0	$ 0	$ 86,479
0	0	9,020
0	0	2,909
0	0	824
0	0	4,579
0	0	103,811
296,059	0	310,592
0	0	18,799
296,059	0	329,391
0	0	145,137
1,041,005	0	1,799,836
0	0	39,998
0	562,142	939,115
0	0	2,209,663
1,041,005	562,142	5,133,749
$ 1,337,064	$ 562,142	$ 5,566,951

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2023

Total Fund Balances - Governmental Funds	$ 5,133,749
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	8,024,373
Less: Accumulated depreciation	(2,747,749)
Long-term liabilities, including bond premiums and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(3,554,000)
Bond premiums	(22,623)
Compensated absences	(5,537)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	
Delinquent property taxes	18,799
Special assessments	310,592
Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension liability - general employees retirement pension fund	(100,158)
Net Pension asset - volunteer firefighter's relief association	38,563
Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus, and therefore, have no effect on fund balance	
Deferred outflows of resources related to pensions	95,576
Deferred inflows of resources related to pensions	(79,270)
Governmental funds do not report a liability for accrued interest payable until due and payable.	(34,299)
Total Net Position - Governmental Activities	$ 7,078,016

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General	Revolving Loan	Economic Development Authority
Revenues:			
Property Taxes	$ 787,605	$ 0	$ 0
Franchise Fees	2,619	0	0
Special Assessments	2,146	0	0
Intergovernmental	280,728	0	0
Licenses and Permits	5,086	0	0
Charges for Services	23,385	0	0
Fines and Forfeitures	3,112	0	0
Rental Income	0	0	110,210
Other Revenues	17,441	0	420
Interest Earnings	63,706	24,095	2,788
Total Revenues	1,185,828	24,095	113,418
Expenditures:			
Current:			
General Government	142,782	0	0
Public Safety	333,455	0	0
Public Works	251,564	0	0
Parks and Recreation	70,108	0	0
Economic Development	0	0	49,155
Capital Outlay:			
General Government	2,640	0	0
Public Safety	67,580	0	0
Public Works	173,989	0	0
Parks and Recreation	14,990	0	0
Debt Service:			
Principal	0	0	56,000
Interest and Other Fees	0	0	30,104
Total Expenditures	1,057,108	0	135,259
Excess of Revenues Over (Under) Expenditures	128,720	24,095	(21,841)
Other Financing Sources (Uses):			
Sale of Capital Assets	24,650	0	13,000
Transfers In (Out)	0	0	0
Total Other Financing Sources (Uses)	24,650	0	13,000
Change in Fund Balance	153,370	24,095	(8,841)
Fund Balance - January 1	2,598,522	703,929	59,527
Fund Balance - December 31	$ 2,751,892	$ 728,024	$ 50,686

The Notes to the Financial Statements are an Integral Part of this Statement.

Debt Service	Capital Projects	Total Governmental Funds
$ 337,662	$ 10,777	$ 1,136,044
0	0	2,619
42,758	0	44,904
0	0	280,728
0	0	5,086
0	0	23,385
0	0	3,112
0	0	110,210
0	0	17,861
3,265	26,674	120,528
383,685	37,451	1,744,477
0	0	142,782
0	0	333,455
0	0	251,564
0	0	70,108
0	0	49,155
0	0	2,640
0	0	67,580
0	0	173,989
0	0	14,990
163,000	0	219,000
54,934	0	85,038
217,934	0	1,410,301
165,751	37,451	334,176
0	0	37,650
42,000	0	42,000
42,000	0	79,650
207,751	37,451	413,826
833,254	524,691	4,719,923
$ 1,041,005	$ 562,142	$ 5,133,749

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

Net Change in Fund Balances - Governmental Funds	$ 413,826
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	167,458
Depreciation expense	(315,884)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.	
Principal repayments	219,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.	3,179
Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.	
Pension expense	(2,178)
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(2,680)
Special Assessments	(28,745)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	1,307
Change in Net Position - Governmental Activities	$ 455,284

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2023

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Property Taxes	$ 779,791	$ 787,605	$ 7,814
Franchise Fees	800	2,619	1,819
Special Assessments	0	2,146	2,146
Intergovernmental	235,513	280,728	45,215
Licenses and Permits	4,000	5,086	1,086
Charges for Services	7,700	23,385	15,685
Fines and Forfeitures	2,000	3,112	1,112
Other Revenues	0	17,441	17,441
Interest and Dividends	8,000	63,706	55,706
Total Revenues	1,037,804	1,185,828	148,024
Expenditures:			
Current:			
General Government	116,635	142,782	26,147
Public Safety	334,056	333,455	(601)
Public Works	301,064	251,564	(49,500)
Parks and Recreation	65,700	70,108	4,408
Capital Outlay:			
General Government	3,500	2,640	(860)
Public Safety	100,000	67,580	(32,420)
Public Works	0	173,989	173,989
Park and Recreation	0	14,990	14,990
Total Expenditures	920,955	1,057,108	136,153
Excess of Revenues Over (Under) Expenditures	116,849	128,720	11,871
Other Financing Sources (Uses):			
Sale of Capital Assets	0	24,650	24,650
Change in Fund Balance	$ 116,849	153,370	$ 36,521
Fund Balance - January 1		2,598,522	
Fund Balance - December 31		$ 2,751,892	

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ECONOMIC DEVELOPMENT AUTHORITY
For The Year Ended December 31, 2023

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Charges for Services	$ 106,780	$ 110,210	$ 3,430
Other Revenues	3,000	420	(2,580)
Interest and Dividends	100	2,788	2,688
Total Revenues	109,880	113,418	3,538
Expenditures:			
Current:			
Economic Development	27,570	49,155	21,585
Debt Service:			
Interest and Fees	86,104	86,104	0
Total Expenditures	113,674	135,259	21,585
Excess of Revenues Over (Under) Expenditures	(3,794)	(21,841)	(18,047)
Other Financing Sources (Uses):			
Sale of Capital Assets	0	13,000	13,000
Change in Fund Balance	$ (3,794)	(8,841)	$ (5,047)
Fund Balance - January 1		59,527	
Fund Balance - December 31		$ 50,686	

The Notes to the Financial Statements are an Integral Part of this Statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
ASSET AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	$ 0	$ 369,048	$ 26,489	$ 395,537
Receivables:				
Accounts	12,422	12,465	1,103	25,990
Prepaid Expenses	4,280	11,562	0	15,842
Total Current Assets	16,702	393,075	27,592	437,369
Noncurrent Assets:				
Land	5,150	0	0	5,150
Distribution System	3,042,081	2,022,534	0	5,064,615
Equipment	100,339	74,981	0	175,320
Accumulated Depreciation	(1,026,357)	(1,195,372)	0	(2,221,729)
Equity Interest in Joint Venture	0	40,623	0	40,623
Total Assets	2,137,915	1,335,841	27,592	3,501,348
Deferred Outflows of Resources:				
Pension Deferments	9,779	12,570	0	22,349
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,147,694	$ 1,348,411	$ 27,592	$ 3,523,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts Payable	$ 4,385	$ 3,209	$ 0	$ 7,594
Deficit Cash	136,804	0	0	136,804
Interest Payable	12,220	3,657	0	15,877
Current Portion of Long-term Debt	91,000	52,000	0	143,000
Total Current Liabilities	244,409	58,866	0	303,275
Noncurrent Liabilities:				
Compensated Absences	563	674	0	1,237
Customer Deposits	3,500	0	0	3,500
Long-term Debt, Net of Current Portion	1,591,035	549,009	0	2,140,044
Net Pension Liability	14,898	19,149	0	34,047
Total Liabilities	1,854,405	627,698	0	2,482,103
Deferred Inflows of Resources:				
Pension Deferments	10,936	14,058	0	24,994
Net Position:				
Net Investment in Capital Assets	439,178	301,136	0	740,314
Unrestricted	(156,825)	405,519	27,592	276,286
Total Net Position	282,353	706,655	27,592	1,016,600
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,147,694	$ 1,348,411	$ 27,592	$ 3,523,697

The Notes to the Financial Statements are an Integral Part of this Statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
Operating Revenues:				
Charges for Services	$ 150,815	$ 149,401	$ 10,839	$ 311,055
Operating Expenses:				
Wages and Employee Benefits	30,285	41,745	0	72,030
Supplies	531	364	0	895
Contractual Services	6,884	6,884	6,884	20,652
Insurance	3,813	10,303	0	14,116
Testing	0	18,429	0	18,429
Utilities	12,512	16,192	0	28,704
Repairs and Maintenance	68,466	36,088	256	104,810
Other Expenses	23,219	30,097	0	53,316
Depreciation	89,395	57,856	0	147,251
Total Operating Expenses	235,105	217,958	7,140	460,203
Income (Loss) From Operations	(84,290)	(68,557)	3,699	(149,148)
Nonoperating Revenues (Expenses):				
Property Taxes	19,642	26,036	0	45,678
Interest Earnings	5,426	6,911	0	12,337
Other Revenues	495	45	0	540
Interest and Other Expenses	(35,879)	(10,969)	0	(46,848)
Total Nonoperating Revenues (Expenses)	(10,316)	22,023	0	11,707
Income Before Transfers	(94,606)	(46,534)	3,699	(137,441)
Transfers Out	(21,000)	(21,000)	0	(42,000)
Changes in Net Position	(115,606)	(67,534)	3,699	(179,441)
Net Position - January 1	397,959	774,189	23,893	1,196,041
Net Position - December 31	$ 282,353	$ 706,655	$ 27,592	$ 1,016,600

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	$ 163,738	$ 159,043	$ 13,280	$ 336,061
Payments to Suppliers	(96,335)	(96,130)	(7,140)	(199,605)
Payments to Employees	(29,001)	(40,054)	0	(69,055)
Other Receipts (Payments)	495	49	0	544
Net Cash from Operating Activities	38,897	22,908	6,140	67,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(21,000)	(21,000)	0	(42,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Revenue Bonds and Notes	(91,000)	(52,000)	0	(143,000)
Interest and Fees Paid on Revenue Bonds and Notes	(37,570)	(11,490)	0	(49,060)
Property Taxes	19,642	26,036	0	45,678
Purchase of Capital Assets	0	(40,623)	0	(40,623)
Net Cash from Capital and Related Financing Activities	(108,928)	(78,077)	0	(187,005)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	5,426	6,911	0	12,337
Net Increase (Decrease) in Cash	(85,605)	(69,258)	6,140	(148,723)
Cash and Cash Equivalents - January 1	(51,199)	438,306	20,349	407,456
Cash and Cash Equivalents - December 31	$ (136,804)	$ 369,048	$ 26,489	$ 258,733
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	$ (84,290)	$ (68,557)	$ 3,699	$ (149,148)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Other Receipts (Payments)	495	49	0	544
Depreciation Expense	89,395	57,856	0	147,251
(Increase) Decrease in Accounts Receivable	31,269	33,172	2,443	66,884
(Increase) Decrease in Prepaid Expenses	(122)	(562)	0	(684)
Increase (Decrease) in Net Pension Liability	1,408	1,836	0	3,244
Increase (Decrease) in Accrued Wages	(19)	(26)	0	(45)
Increase (Decrease) in Compensated Absences	(105)	(119)	0	(224)
Increase (Decrease) in Accounts Payable	866	(741)	0	125
Net Cash from Operating Activities	$ 38,897	$ 22,908	$ 6,142	$ 67,947

The Notes to the Financial Statements are an Integral Part of this Statement.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the 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. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities, are in substance part of the City's operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Included in the City's reporting entity, based upon the application of these criteria, is the following blended component unit. The blended component unit presented has a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five-member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities,* which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Measurement focus, basis of accounting and financial statement presentation

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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

The City reports the following major governmental funds:

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

The *Revolving Loan fund* accounts for the accumulation of resources and revenues committed to loans for private and industrial development within the City.

The *Economic Development fund* accounts for the resources accumulated and payments committed to economic development activities for private and industrial development within the City.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Projects fund* accounts for the accumulation of resources necessary and expenditures related to the capital projects throughout the city departments.

The City reports the following major proprietary funds:

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

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

The *Storm Sewer fund* accounts for the costs associated with the City's operation of the storm sewer utility system and ensures that user charges are sufficient to meet those costs.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

6. 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.

7. 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.

8. 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.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Brokered and negotiated certificates of deposits classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value certificates of deposits based on the certificates of deposits' relationship to benchmark quoted prices.

See Note 3 for the City's recurring fair value measurements as of December 31, 2023.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property taxes

The City 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, June, and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

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

Notes receivable

Notes receivable represents loans made to various commercial entities throughout the City. An allowance has been established and was determined based on historical bad debt experience related to the nature of the receivable balance.

Inventories

For proprietary funds, inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventories are recorded as an expense when sold or consumed rather than when purchased.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Capitalization Threshold
Land improvements	$ 10,000
Machinery and equipment	5,000
Buildings and improvements	25,000
Infrastructure	100,000

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

Property, plant, and equipment of the City, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Upon retirement or termination, employees in good standing are entitled to payout for the lesser of their vacation balance or the amount of unused vacation they would accrue in the current year plus any carryover from the previous year. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

Unearned Revenue

Unearned revenues are those for which resources are received by the City before it has a legal claim to them. The City has reported unearned revenues for prepaid service revenues and security deposits in the proprietary funds.

Long-term obligations

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

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 expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA), Welcome Volunteer Firefighters' Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, 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.

Net position

In the government-wide financial statements, 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 - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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:

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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 50-65 percent of budgeted operating expenditures for cash-flow timing needs.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk/Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function, and department. The City's department heads, with the approval of the City Clerk/Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

Budgets were not adopted for the Revolving loan special revenue fund.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2023, the General and Economic Development Authority funds had expenditures over appropriations of $136,153 and $21,585, respectively. The excess of expenditures over appropriations was funded with excess revenues and available fund balance.

C. Deficit Fund Equity

No had fund equity deficits at year end.

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance 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.

On December 31, 2023, the carrying amount of deposits was $3,001,103 and the bank balance was $3,188,289. Of the bank balance, $500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Investments

As of December 31, 2023, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Type of Investments	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk - Maturity Duration in Years Less Than 1	Interest Risk - Maturity Duration in Years 1 to 5	Total
Pooled Investments at Amortized Cost						
Minnesota Municipal Money						
Market Fund Liquid Class	AAA	S&P	Cost	$ 1,702,652	-	$ 1,702,652
Market Fund Max Class	AAA	S&P	Cost	173,357	-	173,357
US GOVT Money Market Fund	AAA	S&P	Cost	259,115	-	259,115
Non-pooled investments						
Nonegotiable CDs	N/R	N/A	Cost	127,031	-	127,031
Total investments						**$ 2,262,155**

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. This City's investment policy does not address this risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to those listed in footnote 1. This City's investment policy does not address this risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policies limit the maturities of investments to no more than 30% with a maturity over 5 years and no investments that mature greater than 10 years.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policy requires 30% of investments to be in highly liquid investments. On December 31, 2023, the City's investment portfolio held 6% of the total investment with debt securities at Welcome State Bank.

The Minnesota Municipal Money Market Fund (4M Fund) is regulated by Minnesota Statutes and is an external investment pool not registered with the Securities Exchange Commission (SEC). The 4M Fund elects to measure its investments at amortized cost in accordance with accounting standards issued by the Government Accounting Standards Board. For 4M Fund investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

	Governmental Funds	Proprietary Funds
Carrying amount of demand deposits	$ 480,440	$ (475,719)
Time deposits	2,261,830	734,452
Cash on hand	100	-
Total deposits	$ 2,742,370	$ 258,733
Unrestricted cash and cash equivalents	$ 2,742,370	$ 258,733
Investments	2,262,155	
Total cash and investments	$ 5,004,525	$ 258,733

B. Receivables

Taxes receivable as of the year end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Notes receivable represents loans made to various commercial entities throughout the City. These loans all carry an interest rate of 5% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. Allowances are reported when accounts are proven to be uncollectible. The City has determined that no allowance is needed for the current year.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	$ 18,799	$ -
Special assessments deferred	288,035	-
Delinquent special assessments	22,557	-
Total deferred inflows of resources/unearned revenue	$ 329,391	$ -

The only receivables not expected to be collectible within one year are the following: General Fund: $14,000 of delinquent taxes and Debt Service Funds: $266,000 of special assessments.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Transferred From	Transferred To: Debt Service	Total
Water fund	$ 21,000	$ 21,000
Sewer fund	21,000	21,000
Total	$ 42,000	$ 42,000

The $21,000 transfer from the Water and Sewer funds to the Debt Service fund was for the utility funds portion of debt service due during the year.

Interfund receivables and payables

Fund Type and Fund	Advance To Other Funds	Advance From Other Funds	Due To General Fund
General Fund	$ 4,579		
Economic Development Fund		$ 4,579	
Revolving Loan Fund			$ 824
Total	$ 4,579	$ 4,579	$ 824

The Revolving Loan Fund owes the General Fund for transactions that occurred in earlier periods for goods and services provided. $4,579 of the advance between the General and Economic Development Funds relates to a water main extension that occurred in an earlier period and will be repaid as lots are sold.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

Capital asset activity for the City for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 52,319	$ -	$ -	$ 52,319
Total capital assets not being depreciated	52,319	-	-	52,319
Capital assets being depreciated				
Infrastructure	4,857,268	-	-	4,857,268
Buildings and Improvements	893,202	-	-	893,202
Machinery and equipment	2,090,234	167,458	(36,108)	2,221,584
Total capital assets being depreciated	7,840,704	167,458	(36,108)	7,972,054
Less accumulated depreciation for				
Infrastructure	(736,951)	(161,539)	-	(898,490)
Buildings and Improvements	(610,424)	(19,407)	-	(629,831)
Machinery and equipment	(1,120,598)	(134,938)	36,108	(1,219,428)
Total accumulated depreciation	(2,467,973)	(315,884)	36,108	(2,747,749)
Total capital assets being depreciated, net	5,372,731	(148,426)	-	5,224,305
Governmental activities capital assets, net	$ 5,425,050	$ (148,426)	$ -	$ 5,276,624

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 5,150	$ -	$ -	$ 5,150
Capital assets being depreciated				
Distribution system	5,064,615	-	-	5,064,615
Machinery and equipment	175,320	-	-	175,320
Total capital assets being depreciated	5,239,935	-	-	5,239,934
Less accumulated depreciation for				
Distribution system	(1,934,926)	(138,582)	-	(2,073,508)
Machinery and equipment	(139,552)	(8,669)	-	(148,221)
Total accumulated depreciation	(2,074,478)	(147,251)	-	(2,221,729)
Total capital assets being depreciated, net	3,165,457	(147,251)	-	3,018,206
Business-type activities capital assets, net	$ 3,170,607	$ (147,251)	$ -	$ 3,023,356

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

Governmental activities	
General government	$ 2,693
Public safety	86,989
Public works	145,767
Park and recreation	4,459
Economic development	75,976
Total depreciation expense - governmental activities	$ 315,884
Business-type activities	
Water	$ 89,395
Sewer	57,856
Total depreciation expense - business-type activities	$ 147,251

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

E. Long-term debt

General Obligation Improvement 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 governmental and business-type 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:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2019A	$ 1,395,000	2.00 - 3.00%	8/1/19	2/1/40	$ 1,230,000
G.O. Refunding Bonds of 2020A	1,259,000	1.90%	7/10/20	2/1/31	932,000
G.O. Housing Development Bonds of 2020B	1,500,000	2.12%	9/28/20	2/1/41	1,392,000
Total general obligation improvement bonds					$ 3,554,000

General Obligation Revenue Bonds/Notes

The City issued general obligation revenue bonds/notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. Revenue Bonds/notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note, 2011A	$ 753,361	1.00%	8/10/11	8/20/31	$ 326,000
G.O. Water Revenue Note, 2018A	789,200	1.00%	12/26/17	8/20/37	582,000
G.O. Utility Revenue Bonds, 2019A	1,535,000	2.00-3.00%	8/1/19	2/1/40	1,350,000
Total general obligation revenue bonds/notes					$ 2,258,000

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2024	$ 230,000	$ 80,037	$ 143,000	$ 46,980
2025	236,000	75,413	144,000	44,900
2026	241,000	70,675	145,000	42,810
2027	244,000	65,557	151,000	40,310
2028	253,000	59,994	152,000	37,400
2029-2033	1,086,000	216,808	714,000	142,030
2034-2038	815,000	108,406	614,000	67,370
2039-2041	449,000	14,018	195,000	5,925
Total	$ 3,554,000	$ 690,908	$ 2,258,000	$ 427,725

Changes in long-term liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO improvement bonds	$ 3,773,000	$ -	$ (219,000)	$ 3,554,000	$ 230,000
Bond premiums	23,994	-	(1,371)	22,623	-
Compensated absences	6,844	6,844	(11,238)	2,450	-
Net pension liability	142,582	67,230	(109,654)	100,158	-
Governmental activity long-term liabilities	$ 3,946,420	$ 74,074	$ (341,263)	$ 3,679,231	$ 230,000
Business-type activities:					
GO revenue bonds/notes	$ 2,401,000	$ -	$ (143,000)	$ 2,258,000	$ 143,000
Bond premiums	26,562	-	(1,518)	25,044	-
Compensated absences	1,461	1,461	(2,029)	893	-
Net pension liability	47,499	22,397	(35,849)	34,047	-
Business-type activity long-term liabilities	$ 2,476,522	$ 23,858	$ (182,396)	$ 2,317,984	$ 143,000

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

F. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the Governmental Funds Balance Sheet on December 31, 2023, includes the following:

	General	Revolving Loan	Economic Development	Debt Service	Capital Project	Total Fund Balance
Nonspendable						
Prepaid expenses	$ 29,167	$ -	$ 10,688	$ -	$ -	$ 39,855
Long-term receivable	4,579	-	-	-	-	4,579
Endowment	100,702	-	-	-	-	100,702
Total nonspendable	134,449	-	10,688	-	-	145,137
Restricted						
Revolving loan	-	728,024	-	-	-	728,024
Public safety aid	30,807					30,807
Debt service	-	-	-	1,041,005	-	1,041,005
Total restricted	30,807	728,024	-	1,041,005	-	1,799,836
Committed						
Economic development	-	-	39,998	-	-	39,998
Assigned						
Pulic works equipment	111,927	-	-	-	-	111,927
Cemetery	40,646	-	-	-	-	40,646
Employee severance	7,820	-	-	-	-	7,820
Fire depart equipment	48,074	-	-	-	-	48,074
Townships	32,013	-	-	-	-	32,013
Park and recreation	106,493	-	-	-	-	106,493
Police	30,000					30,000
Capital projects	-	-	-	-	562,142	562,142
Total assigned	376,973	-	-	-	562,142	939,115
Unassigned						
General fund	2,209,663	-	-	-	-	2,209,663
Total fund balance	**$ 2,751,892**	**$ 728,024**	**$ 50,686**	**$ 1,041,005**	**$ 562,142**	**$ 5,133,749**

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:	
Land	$ 52,319
Infrastructure	4,857,267
Buildings and improvements	893,202
Machinery and equipment	2,221,584
Less: accumulated depreciation	(2,747,749)
Less: long-term debt outstanding	(3,554,000)
Less: bond premiums	(22,623)
Total Net Investment in Capital Assets	1,700,000
Restricted:	
Debt Service	1,302,764
Revolving loans	728,024
Endowment	100,702
Public safety aid	30,807
Total Restricted	2,162,298
Unrestricted	3,215,718
Total Governmental Activities Net Position	$ 7,078,016

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:	
Land	$ 5,150
Distribution system	5,064,616
Machinery and equipment	175,318
Less: accumulated depreciation	(2,221,729)
Less: long-term debt outstanding	(2,258,000)
Less: bond premiums	(25,044)
Total Net Investment in Capital Assets	740,314
Unrestricted	276,286
Total Business-type Activities Net Position	$ 1,016,600

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Public Employees' Retirement Association

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.

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

B. Benefits Provided

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

General Employees Plan benefits 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% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all members. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $14,835. The City's contributions were equal to the required contributions as set by state statute.

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

D. Pension Costs

On December 31, 2023, the City reported a liability of $134,205 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2023. 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 $3,600.

The net pension liability was measured as of June 30, 2023, 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 proportion 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2023, the City's proportion was 0.0024% which was unchanged from its proportion measured as of June 30, 2022. For the year ended December 31, 2023, the City recognized pension expense of $(10,783) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional $16 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

On December 31, 2023, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,375	$ 914
Differences between projected and actual investment earnings	54,627	59,577
Changes in actuarial assumptions	21,559	36,505
Changes in proportion	52	1,524
City's contributions subsequent to the measurement date	7,486	-
Total	$ 88,099	$ 98,520

$7,486 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	$ 1,722
2025	(19,847)
2026	3,106
2027	(2,888)
2028	-
Thereafter	-

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Measurement Date	June 30, 2023
Valuation Date	July 1, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Investment Rate of Return	7.00%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

F. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

City's proportionate share of NPL		
1 Percent Decrease	Current	1 Percent Increase
6.00%	7.00%	8.00%
$ 237,420	$ 134,205	$ 49,307

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

A. Plan Description

All active or probationary members of the Welcome Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the Welcome Firefighters' Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The Association issues a publicly available financial report. The report may be obtained by writing to Welcome Firefighters' Relief Association, 102 N. Dugan St, Welcome, MN 56181.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 10 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 10 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability based on vesting percentage.

Summary of Participant Data	
Active members	25
Inactive members entitled to future benefits	4
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	29

B. Benefits Provided

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of $1,150 (effective January 1, 2021). If a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed $16,821 in fire state aid to the plan for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2023. In addition, the City made voluntary contributions of $6,000 to the plan.

D. Pension Costs

On December 31, 2023, the Association reported a net pension liability of $(38,563). The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023.

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2021	$ 328,420	$ 360,164	$ (31,744)
Changes for the year:			
Service cost	17,960	-	17,960
Interest	6,928	-	6,928
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	26,323	(26,323)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	7,467	(7,467)
Gain or loss	(640)	(2,723)	2,083
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	-	-
Other deductions (e.g. payables)	-	-	-
Net changes	24,248	31,067	(6,819)
Balance at Current Fiscal Year 12/31/2022	$ 352,668	$ 391,231	$ (38,563)

During the measurement period, there were no changes to the plan provisions.

For the year ended December 31, 2023, the City recognized pension expense of $(5,360).

On December 31, 2022, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 5,744
Differences between projected and actual investment earnings	4,930	-
Changes in actuarial assumptions	2,075	-
City's contributions subsequent to the measurement date	22,821	-
Total	$ 29,826	$ 5,744

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

$22,821 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	$ 1,185
2025	730
2026	217
2027	(84)
2028	(570)
Thereafter	(217)

E. Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Measurement Date	December 31, 2022
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Investment Rate of Return	2.00%
Inflation	2.75% per year
Lump Sum Benefit Increase	N/A*

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.

Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2022; valuation was based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation.

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2023:

- None

The long-term expected rate of return on pension plan investments is 2.00%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Cash and certificates of deposit	100.00%	2.00%	2.00%
Total	100.00%		2.00%
Net assumed investment return			2.00%

F. Discount Rate

The discount rate used to measure the total pension liability was 2.00%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

G. Pension Liability Sensitivity

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

Association's Net Pension Asset		
1 Percent Decrease	Current	1 Percent Increase
1.00%	2.00%	3.00%
$ 28,182	$ 38,563	$ 48,755

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the Association's defined benefit pension plan's fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Welcome at 102 N. Dugan St, Welcome, Minnesota, 56181; or by calling (507) 728-8740.

Note 5 OTHER INFORMATION

A. Risk management

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

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

B. 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 has no debt outstanding subject to this limit on December 31, 2023.

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Agriculture Credit programs. The amount received in 2023 was $178,864 and $357 for LGA and the agriculture credit, respectively. This accounted for 15 percent of General fund revenues.

D. Tax increment Districts

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

E. **Joint ventures**

The City, in conjunction with other governmental entities, has formed the joint ventures listed below:

Martin West Equipment Board– In 1998 the City entered into a joint powers agreement with the municipalities of Dunnell, Sherburn, and Welcome to form the Martin West Equipment Board. The Agreement is authorized by Minn. Stat. §471.59. The purpose of the Agreement is to establish an organization to share cost of ownership of certain equipment needed amongst the members for joint venture. During 2023, the City paid $45,223 to Martin West Equipment Board. Each City will then have an equity interest in the Board based on the ratio of each city's population. Because there is an explicit measurable equity interest in the joint venture, the interest is reported in the government-wide financial statements, as well as in the Sewer Fund.

Note 5 OTHER INFORMATION – (Continued)

The *Sherburn-Welcome Public Safety Commission (the Commission)* was formed in 1995 under the authority of Minnesota Statutes 471.59 and 412.11 by agreement of the member cities of Sherburn and Welcome. The Commission was created to provide police protection services to its member cities. The Commission is managed through a governing board and a police chief. The governing board consists of four members, two elected officials appointed by each member city. The ex-officio, non-voting members of the board are Clerk-Treasurers from each member city and the chief of police. The chief of police is appointed by mutual agreement of the City Councils of all member cities. The annual contributions required by each city is 60% for Sherburn and 40% for Welcome.

The contributions to the Sherburn-Welcome Public Safety Commission are reflected as expenditures in the City's General fund. The Commission's assets, liabilities, equity and operations are excluded from the City's financial statements as further explained in note 1. During 2023, the City paid $189,167 to the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2023	6/30/2023	0.0024%	$ 134,205	$ 3,600	$ 137,805	$ 231,093	59.6%	83.1%
12/31/2022	6/30/2022	0.0024%	$ 190,081	$ 5,639	$ 195,720	$ 210,821	92.8%	76.7%
12/31/2021	6/30/2021	0.0024%	$ 102,491	$ 3,164	$ 105,655	$ 203,046	52.0%	87.0%
12/31/2020	6/30/2020	0.0025%	$ 149,886	$ 4,663	$ 154,549	$ 192,858	80.1%	79.1%
12/31/2019	6/30/2019	0.0021%	$ 116,105	$ 3,500	$ 119,605	$ 195,449	61.2%	80.2%
12/31/2018	6/30/2018	0.0021%	$ 116,500	$ 3,876	$ 120,376	$ 189,497	63.5%	79.5%
12/31/2017	6/30/2017	0.0021%	$ 134,063	$ 1,707	$ 135,770	$ 181,138	75.0%	75.9%
12/31/2016	6/30/2016	0.0022%	$ 178,629	$ 2,303	$ 180,932	$ 185,038	97.8%	68.9%
12/31/2015	6/30/2015	0.0022%	$ 114,015	$ -	$ 114,015	$ 179,667	63.5%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2023	6/30/2023	$ 14,206	$ 14,206	$ -	$ 189,413	7.50%
12/31/2022	6/30/2022	$ 13,387	$ 13,387	$ -	$ 178,493	7.50%
12/31/2021	6/30/2021	$ 12,837	$ 12,837	$ -	$ 171,160	7.50%
12/31/2020	6/30/2020	$ 13,328	$ 13,328	$ -	$ 177,707	7.50%
12/31/2019	6/30/2019	$ 10,963	$ 10,963	$ -	$ 146,173	7.50%
12/31/2018	6/30/2018	$ 10,647	$ 10,647	$ -	$ 141,960	7.50%
12/31/2017	6/30/2017	$ 10,276	$ 10,276	$ -	$ 137,013	7.50%
12/31/2016	6/30/2016	$ 10,334	$ 10,334	$ -	$ 137,787	7.50%
12/31/2015	6/30/2015	$ 9,681	$ 9,681	$ -	$ 129,080	7.50%

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
WELCOME FIREFIGHTERS' RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Total Pension Liability	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	$ 17,960	$ 16,760	$ 20,109	$ 18,727	$ 17,741	$ 16,875	$ 15,242	$ 15,242	$ 14,870
Interest	6,928	6,994	8,001	7,637	8,483	7,661	6,759	6,122	6,029
Difference between expected and actual experience	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	4,668	-	-	-	-
Changes in benefit terms	-	16,256	-	17,075	15,848	7,452	13,675	-	-
Benefit payments, including member contribution refunds	-	(89,052)	(53,204)	-	-	-	-	(22,275)	-
Gain or loss	(640)	-	(3,999)	-	(5,185)	-	(1,237)	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-
Net change in total pension liability	24,248	(49,042)	(29,093)	43,439	41,555	31,988	34,439	(911)	20,899
Total Pension Liability - beginning of year	328,420	377,462	406,555	363,116	321,561	289,573	255,134	256,045	235,146
Total Pension Liability - end of year	$ 352,668	$ 328,420	$ 377,462	$ 406,555	$ 363,116	$ 321,561	$ 289,573	$ 255,134	$ 256,045
Plan Fiduciary Net Position									
Contributions - state and local	$ 26,323	$ 27,416	$ 23,309	$ 32,463	$ 27,307	$ 20,869	$ 23,564	$ 22,715	$ 23,814
Contributions - donation and other income	-	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-	-	-
Net investment income	7,467	7,708	8,504	8,357	9,583	8,887	8,239	7,837	7,427
Other additions (e.g. receivable)	-	-	-	-	-	-	-	-	-
Benefit payments, including member contribution refunds	-	(89,052)	(53,204)	-	-	-	-	(22,275)	-
Gain or loss	(2,723)	(2,125)	(2,563)	(2,273)	(4,935)	(5,130)	(4,534)	(3,781)	(3,127)
Administrative expenses	-	-	-	-	-	-	-	-	-
Other deductions (e.g. payables)	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	31,067	(56,053)	(23,954)	38,547	31,955	24,626	27,269	4,496	28,114
Plan Fiduciary Net Position - beginning	360,164	416,217	440,171	401,624	369,669	345,043	317,774	313,278	285,164
Plan Fiduciary Net Position - ending	$ 391,231	$ 360,164	$ 416,217	$ 440,171	$ 401,624	$ 369,669	$ 345,043	$ 317,774	$ 313,278
Net Pension (Asset) Liability - ending	$ (38,563)	$ (31,744)	$ (38,755)	$ (33,616)	$ (38,508)	$ (48,108)	$ (55,470)	$ (62,640)	$ (57,233)
FNP as a percentage of the TPL	110.93%	109.67%	110.27%	108.27%	110.60%	114.96%	119.16%	124.55%	122.35%

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

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
WELCOME FIREFIGHTERS' RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2022	-	$ 6,000	$ (6,000)	-	-	-
December 31, 2021	-	$ 6,000	$ (6,000)	-	-	-
December 31, 2020	-	$ 6,000	$ (6,000)	-	-	-
December 31, 2019	-	$ 7,500	$ (7,500)	-	-	-
December 31, 2018	-	$ 7,500	$ (7,500)	-	-	-
December 31, 2017	-	$ 7,500	$ (7,500)	-	-	-
December 31, 2016	-	$ 6,000	$ (6,000)	-	-	-
December 31, 2015	-	$ 6,000	$ (6,000)	-	-	-
December 31, 2014	-	$ 6,000	$ (6,000)	-	-	-

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2023

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association

2023 changes:

Changes in Actuarial Assumptions. The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions. An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 changes:

Changes in Actuarial Assumptions. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2021 changes:

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

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2020 changes:

Changes in Actuarial Assumptions. The price inflation assumption was decreased from 2.50% 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.

Changes in Plan Provisions. 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.

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

A. Public Employees Retirement Association - General Employees Retirement Fund – (Continued)

2019 changes:

Changes in Actuarial Assumptions. The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions. The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 changes:

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

2017 changes:

Change of Assumptions. 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. 2) 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 2 044 and 2.5 percent per year thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) 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% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

B. Volunteer Firefighter's Relief Association

2022 changes:

Change of Assumptions. None.

Changes in Plan Provisions. None.

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

B. Volunteer Fire Relief Association Fund – (Continued)

2021 changes:

Change of Assumptions. None

Changes in Plan Provisions. There was a benefit level change from $1,100 to $1,150 during the measurement period.

2020 changes:

None

2019 changes:

None.

2018 changes:

Change of Assumptions. 1) The expected investment return and discount rate decreased from 2.50% to 2.00% to reflect updated capital market assumptions. 2) The mortality assumption was updated from the rates used in the July 1, 2017, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation.

Changes in Plan Provisions. There was a benefit level change from $1,000 to $1,050 during the measurement period.

2017 changes:

Changes in Plan Provisions. There was a benefit level change from $975 to $1,000 during the measurement period.

2016 changes:

Changes in Plan Provisions. The benefit level changed from $925 to $975 during the measurement period.

2015 changes:

None.

2014 changes:

None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF WELCOME, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2023

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
ASSETS			
Cash and Cash Equivalents	$ 270,843	$ 769,981	$ 1,040,824
Property Tax Receivable	0	182	182
Special Assessments	211,905	84,153	296,058
TOTAL ASSETS	$ 482,748	$ 854,316	$ 1,337,064
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	$ 211,905	$ 84,154	$ 296,059
Fund Balance:			
Restricted	270,843	770,162	1,041,005
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 482,748	$ 854,316	$ 1,337,064

CITY OF WELCOME, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS
For the Year Ended December 31, 2023

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
Revenues:			
Property Taxes	$ 111,428	$ 226,234	$ 337,662
Special Assessments	16,701	26,057	42,758
Interest Earnings	1,293	1,972	3,265
Total Revenues	129,422	254,263	383,685
Expenditures:			
Debt Service:			
Principal	55,000	108,000	163,000
Interest and Other Fees	35,650	19,284	54,934
Total Expenditures	90,650	127,284	217,934
Excess of Revenue Over (Under) Expenditures	38,772	126,979	165,751
Other Financing Sources (Uses):			
Transfers In	0	42,000	42,000
Change in Fund Balance	38,772	168,979	207,751
Fund Balance - January 1	232,071	601,183	833,254
Fund Balance - December 31	$ 270,843	$ 770,162	$ 1,041,005

CITY OF WELCOME, MINNESOTA

BALANCE SHEET
GENERAL FUND
December 31, 2023

	2023	2022
ASSETS		
Checking	$ 966,721	$ (204,557)
Savings	(290,268)	490,301
Investments	2,117,126	1,726,621
Receivables:		
Interest	533	76
Franchise Fee	5,489	3,689
Property Taxes	19,814	529,507
Due From Other Funds	824	824
Due From Other Governments	0	100,000
Prepaid Expenses	29,169	34,051
Special Assessments	14,533	16,053
Advance to Other Funds	4,579	4,579
TOTAL ASSETS	$ 2,868,520	$ 2,701,144
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	$ 80,387	$ 17,022
Accrued Expenses	2,909	8,068
Due to Other Governments	0	40,000
Total Liabilities	83,296	65,090
Deferred Inflows of Resources:		
Unavailable Revenue - Special Assessments	14,533	16,053
Unavailable Revenue - Delinquent Taxes	18,799	21,479
Total Deferred Inflows of Resources	33,332	37,532
Fund Balance:		
Nonspendable	134,449	138,191
Restricted	30,807	0
Assigned	376,973	352,284
Unassigned	2,209,663	2,108,047
Total Fund Balance	2,751,892	2,598,522
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCE	$ 2,868,520	$ 2,701,144

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended December 31, 2023

(With Comparative Amounts For the Year Ended December 31, 2022)

	Original And Final Budget	Actual 2023	Over (Under) Budget	Actual 2022
Revenues:				
Taxes:				
Property Taxes	$ 779,791	$ 787,605	$ 7,814	$ 766,404
Franchise Fees	800	2,619	1,819	2,692
Total Taxes	780,591	790,224	9,633	769,096
Special Assessments	0	2,146	2,146	797
Intergovernmental:				
Federal Grants and Aids	0	0	0	100,000
CARES Act Funding	0	0	0	35,462
State Grants and Aids	0	500	500	550
Local Government Aid	178,864	178,864	0	192,444
MV Credit	0	357	357	305
Pera State Aid	649	0	(649)	0
Ballfield Agreement	13,000	14,000	1,000	13,000
Fire State Aid	10,000	16,821	6,821	18,191
Police State Aid	33,000	38,113	5,113	40,066
Other State Aid Grants	0	30,807	30,807	3,220
Other Aid and Grants	0	1,266	1,266	0
Total Intergovernmental	235,513	280,728	45,215	403,238
Licenses and Permits	4,000	5,086	1,086	5,046
Charges for Services:				
Township Fire Contracts	7,700	7,700	0	7,700
Fire Department Calls and Charges	0	15,335	15,335	0
Cemetery Sales	0	0	0	800
Rental Income	0	350	350	2,113
Total Charges for Services	7,700	23,385	15,685	10,613
Fines and Forfeits	2,000	3,112	1,112	3,392
Other Revenues:				
Contributions	0	10,340	10,340	15,570
Gambling Contributions	0	2,000	2,000	6,000
Garbage Bag Sales	0	1,167	1,167	749
Miscellaneous	0	3,934	3,934	5,352
Misc. Fire Dept Revenue	0	0	0	9,500
Total Other Revenues	0	17,441	17,441	37,171
Interest and Dividends:				
Interest Earnings	8,000	59,226	51,226	28,172
Dividends	0	4,480	4,480	4,443
Total Interest and Dividends	8,000	63,706	55,706	32,615
Total Revenues	1,037,804	1,185,828	148,024	1,261,968

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	Original And Final Budget	Actual 2023	Over (Under) Budget	Actual 2022
Expenditures:				
General Government:				
Full-Time Employees Regular	$ 59,450	$ 63,688	$ 4,238	$ 59,924
Full-Time Employees Overtime	0	2,684	2,684	2,575
Mayor and Council Salaries	9,500	8,610	(890)	8,090
Attendance Salaries	0	90	90	75
Election Expense	0	0	0	2,831
PERA	4,460	4,396	(64)	4,083
FICA	4,550	5,560	1,010	5,358
Worker's Compensation	500	674	174	623
Office Supplies	3,000	1,850	(1,150)	2,586
Equipment Repairs/Maintenance	4,000	3,707	(293)	2,689
Building Maintenance	0	4,582	4,582	586
Garbage Bag Expense	0	1,099	1,099	551
Education	1,000	810	(190)	125
Professional Services	15,500	15,601	101	14,273
Legal Fees	1,000	1,950	950	27,552
Travel Expenses	75	0	(75)	0
Print/Binding	4,000	4,288	288	3,698
Liability Insurance	0	6,955	6,955	6,589
Utilities	7,100	8,603	1,503	6,530
Miscellaneous	1,500	2,184	684	761
Dues and Subscriptions	1,000	1,351	351	984
Summer Festaval	0	4,100	4,100	3,975
Total General Government	116,635	142,782	26,147	154,458
Public Safety:				
Police Protection:				
Welcome Assessment	177,706	189,167	11,461	158,468
Police State Aid	40,000	38,113	(1,887)	40,066
Total Police Protection	217,706	227,280	9,574	198,534
Fire Protection:				
Attendence Salaries	26,600	25,000	(1,600)	31,009
Insurance Stipend	3,300	0	(3,300)	0
FICA	2,000	1,859	(141)	2,355
Relief Association	20,000	22,821	2,821	24,191
Supplies	6,000	6,623	623	4,822
Worker's Compensation	0	2,724	2,724	2,887
Fuel	750	1,401	651	1,751
Building Maintenance	5,500	904	(4,596)	2,844
Pagers and Radios	10,000	11,018	1,018	4,146
Education	12,000	5,699	(6,301)	11,107
Auditing and Accounting Services	0	1,100	1,100	2,400
Physicals and Medical	200	29	(171)	1,738
Vehicle Expense	15,000	15,490	490	8,063
Township Agreement	5,000	0	(5,000)	40,000
Liability Insurance	0	4,262	4,262	3,329

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	Original And Final Budget	Actual 2023	Over (Under) Budget	Actual 2022
Expenditures (Continued):				
Fire Protection: (Continued)				
Utilities	$ 4,000	$ 3,160	$ (840)	$ 3,098
Miscellaneous	5,000	2,866	(2,134)	6,949
Dues and Subscriptions	1,000	1,219	219	797
Total Fire Protection	116,350	106,175	(10,175)	151,486
Total Public Safety	334,056	333,455	(601)	350,020
Public Works:				
Full-Time Employees Regular	60,000	57,547	(2,453)	50,723
Full-Time Employees Overtime	0	5,843	5,843	7,437
Insurance Stipend	5,400	0	(5,400)	0
PERA	4,350	3,875	(475)	3,485
FICA	4,590	4,853	263	4,404
Worker's Compensation	6,300	6,131	(169)	7,291
Tree Removal	15,000	16,325	1,325	0
Equipment Repairs/Maintenance	45,000	35,552	(9,448)	43,403
Engineering Fees	0	6,629	6,629	0
Clothing Allowance	424	424	0	406
Vehicle Expense	5,000	3,474	(1,526)	1,467
Street Repairs	115,000	85,338	(29,662)	23,077
Liability Insurance	0	5,687	5,687	5,295
Utilities	15,000	17,580	2,580	15,213
Miscellaneous	2,500	499	(2,001)	1,034
Demolition	20,000	208	(19,792)	222
Wages and Salaries	2,500	1,522	(978)	1,428
FICA	0	77	77	109
Total Public Works	301,064	251,564	(49,500)	164,994
Cemetery:				
Full-Time Employees	0	13,818	13,818	8,576
PERA	0	1,053	1,053	978
FICA	0	1,114	1,114	997
Cemetery	16,000	3,063	(12,937)	6,074
Total Cemetery	16,000	19,048	3,048	16,625

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	Original And Final Budget	Actual 2023	Over (Under) Budget	Actual 2022
Expenditures (Continued):				
Parks & Recreation:				
Full-Time Employees Regular	$ 32,000	$ 28,714	$ (3,286)	$ 27,064
Part-Time Employees	0	4,305	4,305	4,670
Shelter House Attendant	0	995	995	1,100
Committee Fees	500	225	(275)	225
Insurance Stipend	6,500	0	(6,500)	0
PERA	0	2,156	2,156	1,987
FICA	0	2,604	2,604	2,476
Worker's Compensation	0	355	355	155
Equipment Repairs/Maintenance	10,000	3,625	(6,375)	11,789
Building Maintenance	0	720	720	292
Ballfields Maintenance	0	2,171	2,171	5,826
Liability Insurance	0	4,232	4,232	3,566
Utilities	600	958	358	701
Miscellaneous	100	0	(100)	0
Total Parks and Recreation	49,700	51,060	1,360	59,851
Capital Outlay:				
General Government	3,500	2,640	(860)	0
Public Safety	100,000	67,580	(32,420)	111,955
Public Works	0	173,989	173,989	10,400
Park and Recreation	0	14,990	14,990	18,183
Total Capital Outlay	103,500	259,199	155,699	140,538
Total Expenditures	920,955	1,057,108	136,153	886,486
Excess of Revenue Over (Under) Expenditures	116,849	128,720	(11,871)	375,482
Other Financing Sources (Uses):				
Sale of Capital Assets	0	24,650	24,650	36,030
Change in Fund Balance	$ 116,849	153,370	$ 36,521	411,512
Fund Balance - January 1		2,598,522		2,187,010
Fund Balance - December 31		$ 2,751,892		$ 2,598,522

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CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION
WATER UTILITY FUND
December 31, 2023
(With Comparative Amounts For December 31, 2022)

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Checking	$ (198,681)	$ (133,677)
Savings	61,877	82,478
Receivables:		
Accounts	12,422	43,640
Prepaid Expenses	4,280	4,158
Total Current Assets	(120,102)	(3,401)
Noncurrent Assets:		
Land	5,150	5,150
Distribution System	3,042,081	3,042,081
Equipment	100,339	100,339
Accumulated Depreciation	(1,026,357)	(936,962)
Total Assets	2,001,111	2,207,207
Deferred Outflows of Resources:		
Pension Deferments	9,779	14,588
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,010,890	$ 2,221,795
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	$ 4,385	$ 3,539
Interest Payable	12,220	12,697
Current Portion of Long-term Debt	91,000	91,000
Total Current Liabilities	107,605	107,236
Noncurrent Liabilities:		
Compensated Absences	563	667
Deposits Payable	3,500	3,450
Long-term Debt, Net of Current Portion	1,591,035	1,683,249
Net Pension Liability	14,898	20,800
Total Liabilities	1,717,601	1,815,402
Deferred Inflows of Resources:		
Pension Deferments	10,936	8,434
Net Position:		
Net Investment in Capital Assets	439,178	436,360
Unrestricted	(156,825)	(38,401)
Total Net Position	282,353	397,959
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,010,890	$ 2,221,795

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER UTILITY FUND
For the Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Charges for Services	$ 160,020	$ 150,815	$ (9,205)	$ 164,577
Operating Expenses:				
Wages and Employee Benefits	28,250	30,285	2,035	24,365
Supplies	0	531	531	245
Contractual Services	0	6,884	6,884	1,338
Insurance	3,100	3,813	713	3,112
Utilities	12,000	12,512	512	10,666
Repairs and Maintenance	45,000	68,466	23,466	130,871
Other Expenses	5,306	23,219	17,913	52,828
Depreciation	85,000	89,395	4,395	88,408
Total Operating Expenses	178,656	235,105	56,449	311,833
Income (Loss) From Operations	(18,636)	(84,290)	(65,654)	(147,256)
Nonoperating Revenues (Expenses):				
Property Taxes	0	19,642	19,642	19,823
Interest Earnings	500	5,426	4,926	120
Other Revenues	100	495	395	660
Interest and Other Expenses	(6,210)	(35,879)	29,669	(37,289)
Total Nonoperating Revenues (Expenses)	(5,610)	(10,316)	(4,706)	(16,686)
Income (Loss) Before Transfers	(24,246)	(94,606)	(70,360)	(163,942)
Transfers Out	0	(21,000)	(21,000)	(21,000)
Change in Net Position	$ (24,246)	(115,606)	$ (91,360)	(184,942)
Net Position - January 1		397,959		582,901
Net Position - December 31		$ 282,353		$ 397,959

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION
SEWER UTILITY FUND
December 31, 2023
(With Comparative Amounts For December 31, 2022)

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Checking	$ (264,410)	$ (77,864)
Savings	633,458	516,170
Receivables:		
Accounts	12,465	45,637
Prepaid Expenses	11,562	11,000
Total Current Assets	393,075	494,943
Noncurrent Assets:		
Distribution System	2,022,534	2,022,534
Equipment	74,981	74,981
Accumulated Depreciation	(1,195,372)	(1,137,516)
Equity Interest in Joint Venture	40,623	0
Total Assets	1,335,841	1,454,942
Deferred Outflows of Resources:		
Pension Deferments	12,570	18,724
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,348,411	$ 1,473,666
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	$ 3,209	$ 3,975
Interest Payable	3,657	3,873
Current Portion of Long-term Debt	52,000	52,000
Total Current Liabilities	58,866	59,848
Noncurrent Liabilities:		
Compensated Absences	674	793
Long-term Debt, Net of Current Portion	549,009	601,312
Net Pension Liability	19,149	26,699
Total Liabilities	627,698	688,652
Deferred Inflows of Resources:		
Pension Deferments	14,058	10,825
Net Position:		
Net Investment in Capital Assets	301,136	306,688
Unrestricted	405,519	467,501
Total Net Position	706,655	774,189
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,348,411	$ 1,473,666

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER UTILITY FUND
For the Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Charges for Services	$ 151,000	$ 149,401	$ (1,599)	$ 164,116
Operating Expenses:				
Wages and Employee Benefits	42,100	41,745	(355)	37,154
Supplies	0	364	364	205
Contractual Services	0	6,884	6,884	0
Testing	25,000	18,429	(6,571)	15,439
Insurance	8,500	10,303	1,803	8,573
Utilities	20,000	16,192	(3,808)	13,613
Repairs and Maintenance	20,000	36,088	16,088	19,241
Other Expenses	3,756	30,097	26,341	58,475
Depreciation	58,000	57,856	(144)	58,899
Total Operating Expenses	177,356	217,958	40,602	211,599
Income (Loss) From Operations	(26,356)	(68,557)	(42,201)	(47,483)
Nonoperating Revenues (Expenses):				
Property Taxes	45,678	26,036	(19,642)	26,277
Interest Earnings	100	6,911	6,811	1,004
Other Revenues	0	45	45	30
Interest and Other Expenses	(3,650)	(10,969)	7,319	(11,616)
Total Nonoperating Revenues (Expenses)	42,128	22,023	(20,105)	15,695
Income (Loss) Before Transfers	15,772	(46,534)	(62,306)	(31,788)
Transfers Out	0	(21,000)	(21,000)	(21,000)
Changes in Net Position	$ 15,772	(67,534)	$ (83,306)	(52,788)
Net Position - January 1		774,189		826,977
Net Position - December 31		$ 706,655		$ 774,189

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION
STORM SEWER UTILITY FUND
December 31, 2023
(With Comparative Amounts For December 31, 2022)

	2023	2022
ASSETS		
Current Assets:		
Checking	$ (12,628)	$ (5,453)
Savings	39,117	25,801
Accounts Receivable	1,103	3,545
TOTAL ASSETS	$ 27,592	$ 23,893
NET POSITION		
Unrestricted	$ 27,592	$ 23,893

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
STORM SEWER UTILITY FUND
For the Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Charges for Services	$ 0	$ 10,839	$ 10,839	$ 12,760
Operating Expenses:				
Contractual Services	0	6,884	6,884	0
Repairs and Maintenance	0	256	256	925
Total Expenses	0	7,140	7,140	925
Changes in Net Position	$ 0	3,699	$ 3,699	11,835
Net Position - January 1		23,893		12,058
Net Position - December 31		$ 27,592		$ 23,893

OTHER REQUIRED REPORTS

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Welcome, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the City of Welcome (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2024.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories except for tax increment financing because the City doesn't have any increment districts.

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

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 16, 2024

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
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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
Members of the City Council
City of Welcome
Welcome, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Welcome, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 16, 2024.

Reports on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2023-001.

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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2023-002 and 2023-003.

Reports on Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 16, 2024

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2023-001. Material Audit Adjustments

Condition:	The audit firm proposed and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Deb Hansen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

Significant Deficiencies

Finding 2023-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does have an internal control in place for the review of the drafted financial statements, however, the City does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The City has informed us they do not have the expertise to prepare the annual financial statement disclosures, although the City has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP:

Deb Hansen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

Finding 2023-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Deb Hansen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

CITY OF WELCOME, MINNESOTA

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2022-001	Material Audit Adjustments	Not Corrected	2022	See Current Year Finding 2023-001
2022-002	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2023-002
2022-003	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2023-003
Minnesota Legal Compliance Findings:				
2022-004	Public Indebtedness	Corrected	2022	N/A
2022-005	Claims and Disbursements	Corrected	2022	N/A