

**CITY OF WELCOME
WELCOME, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

CITY OF WELCOME, MINNESOTA

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CITY OF WELCOME, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Newville	Mayor	December 31, 2022
Elroy Glidden	Council Member	December 31, 2024
Kim Holm	Council Member	December 31, 2022
Eric Anderson	Council Member	December 31, 2024
Amanda Monk	Council Member	December 31, 2022

APPOINTED

<u>Name</u>	<u>Title</u>
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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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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.

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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.

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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 2021 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 18, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, 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 13, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 13, 2023

BASIC FINANCIAL STATEMENTS

CITY OF WELCOME, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Cash Equivalents	\$ 2,079,075	\$ 407,455	\$ 2,486,530
Investments	1,865,549	0	1,865,549
Receivables:			
Accounts	3,796	92,822	96,618
Property Taxes	546,538	0	546,538
Notes, Net of Allowance	207,158	0	207,158
Due From Other Governments	100,000	0	100,000
Prepaid Expenses	44,237	15,158	59,395
Special Assessments	339,337	0	339,337
Net Pension Asset	31,744	0	31,744
Capital Assets not Being Depreciated	52,319	5,150	57,469
Other Capital Assets, Net of Depreciation	5,372,729	3,165,457	8,538,186
Total Assets	<u>10,642,482</u>	<u>3,686,042</u>	<u>14,328,524</u>
Deferred Outflows of Resources:			
Pension Deferments	<u>131,912</u>	<u>33,312</u>	<u>165,224</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 10,774,394</u></u>	<u><u>\$ 3,719,354</u></u>	<u><u>\$ 14,493,748</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accounts Payable	\$ 54,329	\$ 7,514	\$ 61,843
Accrued Expenses	91,971	21,480	113,451
Unearned Revenue	1,600	0	1,600
Current Portion of Long-term Debt	219,000	143,000	362,000
Long-term Debt, Net of Current Portion	3,577,994	2,284,561	5,862,555
Net Pension Liability	142,582	47,499	190,081
Total Liabilities	<u>4,087,476</u>	<u>2,504,054</u>	<u>6,591,530</u>
Deferred Inflows of Resources:			
Pension Deferments	<u>64,186</u>	<u>19,259</u>	<u>83,445</u>
Net Position:			
Net Investment in Capital Assets	1,628,055	743,048	2,371,103
Restricted	1,923,923	0	1,923,923
Unrestricted	3,070,754	452,993	3,523,747
Total Net Position	<u>6,622,732</u>	<u>1,196,041</u>	<u>7,818,773</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 10,774,394</u></u>	<u><u>\$ 3,719,354</u></u>	<u><u>\$ 14,493,748</u></u>

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 177,856	\$ 5,846	\$ 0	\$ 0
Public Safety	475,054	11,092	18,191	0
Public Works	322,365	0	0	15,621
Parks and Recreation	99,540	2,113	0	0
Economic Development	104,395	109,769	0	0
Interest on Long-Term Debt	86,188	0	0	0
Total Governmental Activities	<u>1,265,398</u>	<u>128,820</u>	<u>18,191</u>	<u>15,621</u>
BUSINESS-TYPE ACTIVITIES:				
Water	349,122	165,237	0	0
Sewer	223,215	164,146	0	0
Storm Sewer	925	12,760	0	0
Total Business-type Activities	<u>573,262</u>	<u>342,143</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 1,838,660</u>	<u>\$ 470,963</u>	<u>\$ 18,191</u>	<u>\$ 15,621</u>

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
\$ (172,010)	\$ 0	\$ (172,010)
(445,771)	0	(445,771)
(306,744)	0	(306,744)
(97,427)	0	(97,427)
5,374	0	5,374
(86,188)	0	(86,188)
(1,102,766)	0	(1,102,766)
0	(183,885)	(183,885)
0	(59,069)	(59,069)
0	11,835	11,835
0	(231,119)	(231,119)
(1,102,766)	(231,119)	(1,333,885)
784,740	0	784,740
337,626	46,100	383,726
385,047	0	385,047
47,017	1,124	48,141
76,735	0	76,735
42,000	(42,000)	0
1,673,165	5,224	1,678,389
570,399	(225,895)	344,504
6,052,333	1,421,936	7,474,269
\$ 6,622,732	\$ 1,196,041	\$ 7,818,773

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

CITY OF WELCOME, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Revolving Loan	Economic Development Authority
ASSETS			
Cash and Cash Equivalents	\$ 285,744	\$ 409,141	\$ 43,275
Investments	1,726,621	88,423	50,505
Receivables:			
Interest	76	31	0
Franchise Fee	3,689	0	0
Property Taxes	529,507	0	0
Notes, Net of Allowance	0	207,158	0
Due From Other Funds	824	0	0
Due From Other Governments	100,000	0	0
Prepaid Expenses	34,051	0	10,186
Special Assessments	16,053	0	0
Advance to Other Funds	4,579	0	0
TOTAL ASSETS	<u>\$ 2,701,144</u>	<u>\$ 704,753</u>	<u>\$ 103,966</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 17,022	\$ 0	\$ 29,240
Tenant Deposits	0	0	9,020
Accrued Wages	8,068	0	0
Due to Other Funds	0	824	0
Due to Other Governments	40,000	0	0
Unearned Revenue	0	0	1,600
Advance from Other Funds	0	0	4,579
Total Liabilities	<u>65,090</u>	<u>824</u>	<u>44,439</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	16,053	0	0
Unavailable Revenue - Delinquent Taxes	21,479	0	0
Total Deferred Inflows of Resources	<u>37,532</u>	<u>0</u>	<u>0</u>
Fund Balance:			
Nonspendable	138,191	0	10,186
Restricted	0	703,929	0
Committed	0	0	49,341
Assigned	352,284	0	0
Unassigned	2,108,047	0	0
Total Fund Balance	<u>2,598,522</u>	<u>703,929</u>	<u>59,527</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,701,144</u>	<u>\$ 704,753</u>	<u>\$ 103,966</u>

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

Debt Service	Capital Projects	Total Governmental Funds
\$ 816,224	\$ 524,691	\$ 2,079,075
0	0	1,865,549
0	0	107
0	0	3,689
17,031	0	546,538
0	0	207,158
0	0	824
0	0	100,000
0	0	44,237
323,284	0	339,337
0	0	4,579
<u>\$ 1,156,539</u>	<u>\$ 524,691</u>	<u>\$ 5,191,093</u>
\$ 0	\$ 0	\$ 46,262
0	0	9,020
0	0	8,068
0	0	824
0	0	40,000
0	0	1,600
0	0	4,579
<u>0</u>	<u>0</u>	<u>110,353</u>
323,285	0	339,338
0	0	21,479
<u>323,285</u>	<u>0</u>	<u>360,817</u>
0	0	148,377
833,254	0	1,537,183
0	0	49,341
0	524,691	876,975
0	0	2,108,047
<u>833,254</u>	<u>524,691</u>	<u>4,719,923</u>
<u>\$ 1,156,539</u>	<u>\$ 524,691</u>	<u>\$ 5,191,093</u>

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

CITY OF WELCOME, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2022

Total Fund Balances - Governmental Funds	\$ 4,719,923
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	7,893,022
Less: Accumulated depreciation	(2,467,974)
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	(3,773,000)
Bond premiums	(23,994)
Compensated absences	(6,844)
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	21,479
Special assessments	339,338
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	(142,582)
Net Pension asset - volunteer firefighter's relief association	31,744
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	131,912
Deferred inflows of resources related to pensions	(64,186)
Governmental funds do not report a liability for accrued interest payable until due and payable.	<u>(36,107)</u>
Total Net Position - Governmental Activities	<u>\$ 6,622,732</u>

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, 2022

	General	Revolving Loan	Economic Development Authority
Revenues:			
Property Taxes	\$ 766,404	\$ 0	\$ 0
Franchise Fees	2,692	0	0
Special Assessments	797	0	0
Intergovernmental	403,238	0	0
Licenses and Permits	5,046	0	0
Charges for Services	10,613	0	0
Fines and Forfeitures	3,392	0	0
Rental Income	0	0	108,995
Other Revenues	37,171	0	774
Interest Earnings	32,615	11,427	611
Total Revenues	<u>1,261,968</u>	<u>11,427</u>	<u>110,380</u>
Expenditures:			
Current:			
General Government	154,458	0	0
Public Safety	350,020	0	0
Public Works	164,994	0	0
Parks and Recreation	76,476	0	0
Economic Development	0	0	27,652
Capital Outlay:			
Public Safety	111,955	0	0
Public Works	10,400	0	0
Parks and Recreation	18,183	0	0
Debt Service:			
Principal	0	0	52,000
Interest and Other Fees	0	0	31,249
Total Expenditures	<u>886,486</u>	<u>0</u>	<u>110,901</u>
Excess of Revenues Over (Under) Expenditures	<u>375,482</u>	<u>11,427</u>	<u>(521)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	36,030	0	0
Transfers In (Out)	0	0	0
Total Other Financing Sources (Uses)	<u>36,030</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	411,512	11,427	(521)
Fund Balance - January 1	<u>2,187,010</u>	<u>692,502</u>	<u>60,048</u>
Fund Balance - December 31	<u>\$ 2,598,522</u>	<u>\$ 703,929</u>	<u>\$ 59,527</u>

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

Debt Service	Capital Projects	Total Governmental Funds
\$ 341,614	\$ 10,777	\$ 1,118,795
0	0	2,692
42,924	0	43,721
0	0	403,238
0	0	5,046
0	0	10,613
0	0	3,392
0	0	108,995
0	0	37,945
1,067	1,297	47,017
<u>385,605</u>	<u>12,074</u>	<u>1,781,454</u>
0	0	154,458
0	0	350,020
0	0	164,994
0	0	76,476
0	0	27,652
0	0	111,955
0	0	10,400
0	0	18,183
161,000	0	213,000
58,067	0	89,316
<u>219,067</u>	<u>0</u>	<u>1,216,454</u>
<u>166,538</u>	<u>12,074</u>	<u>565,000</u>
0	0	36,030
42,000	0	42,000
<u>42,000</u>	<u>0</u>	<u>78,030</u>
208,538	12,074	643,030
<u>624,716</u>	<u>512,617</u>	<u>4,076,893</u>
<u>\$ 833,254</u>	<u>\$ 524,691</u>	<u>\$ 4,719,923</u>

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, 2022

Net Change in Fund Balances - Governmental Funds	\$ 643,030
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	95,122
Loss on capital asset disposal	(8,504)
Depreciation expense	(318,101)
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	213,000
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.	
	3,128
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	(28,631)
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	3,571
Special Assessments	(28,100)
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	<u>(4,115)</u>
Change in Net Position - Governmental Activities	<u>\$ 570,399</u>

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

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2022

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Property Taxes	\$ 769,155	\$ 766,404	\$ (2,751)
Franchise Fees	0	2,692	2,692
Special Assessments	0	797	797
Intergovernmental	245,593	403,238	157,645
Licenses and Permits	4,000	5,046	1,046
Charges for Services	7,700	10,613	2,913
Fines and Forfeitures	2,000	3,392	1,392
Other Revenues	2,800	37,171	34,371
Interest and Dividends	8,000	32,615	24,615
Total Revenues	<u>1,039,248</u>	<u>1,261,968</u>	<u>222,720</u>
Expenditures:			
Current:			
General Government	170,515	154,458	(16,057)
Public Safety	291,829	350,020	58,191
Public Works	236,744	164,994	(71,750)
Parks and Recreation	77,500	76,476	(1,024)
Capital Outlay:			
General Government	3,500	0	(3,500)
Public Safety	100,000	111,955	11,955
Public Works	50,000	10,400	(39,600)
Park and Recreation	30,000	18,183	(11,817)
Total Expenditures	<u>960,088</u>	<u>886,486</u>	<u>(73,602)</u>
Excess of Revenues Over (Under) Expenditures	79,160	375,482	296,322
Other Financing Sources (Uses):			
Sale of Capital Assets	<u>0</u>	<u>36,030</u>	<u>36,030</u>
Change in Fund Balance	<u>\$ 79,160</u>	411,512	<u>\$ 332,352</u>
Fund Balance - January 1		<u>2,187,010</u>	
Fund Balance - December 31		<u>\$ 2,598,522</u>	

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

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, 2022

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Charges for Services	\$ 107,761	\$ 108,995	\$ 1,234
Other Revenues	900	774	(126)
Interest and Dividends	100	611	511
Total Revenues	<u>108,761</u>	<u>110,380</u>	<u>1,619</u>
Expenditures:			
Current:			
Economic Development	23,305	27,652	4,347
Debt Service:			
Interest and Fees	<u>32,471</u>	<u>83,249</u>	<u>50,778</u>
Total Expenditures	<u>55,776</u>	<u>110,901</u>	<u>55,125</u>
Change in Fund Balance	<u>\$ 52,985</u>	(521)	<u>\$ (53,506)</u>
Fund Balance - January 1		<u>60,048</u>	
Fund Balance - December 31		<u>\$ 59,527</u>	

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

CITY OF WELCOME, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
ASSET AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	\$ 0	\$ 438,306	\$ 20,348	\$ 458,654
Receivables:				
Accounts	43,640	45,637	3,545	92,822
Prepaid Expenses	4,158	11,000	0	15,158
Total Current Assets	<u>47,798</u>	<u>494,943</u>	<u>23,893</u>	<u>566,634</u>
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	(936,962)	(1,137,516)	0	(2,074,478)
Total Assets	<u>2,258,406</u>	<u>1,454,942</u>	<u>23,893</u>	<u>3,737,241</u>
Deferred Outflows of Resources:				
Pension Deferments	<u>14,588</u>	<u>18,724</u>	<u>0</u>	<u>33,312</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,272,994</u>	<u>\$ 1,473,666</u>	<u>\$ 23,893</u>	<u>\$ 3,770,553</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 3,539	\$ 3,975	\$ 0	\$ 7,514
Deficit Cash	51,199	0	0	51,199
Interest Payable	12,697	3,873	0	16,570
Current Portion of Long-term Debt	<u>91,000</u>	<u>52,000</u>	<u>0</u>	<u>143,000</u>
Total Current Liabilities	<u>158,435</u>	<u>59,848</u>	<u>0</u>	<u>218,283</u>
Noncurrent Liabilities:				
Compensated Absences	667	793	0	1,460
Customer Deposits	3,450	0	0	3,450
Long-term Debt, Net of Current Portion	1,683,249	601,312	0	2,284,561
Net Pension Liability	<u>20,800</u>	<u>26,699</u>	<u>0</u>	<u>47,499</u>
Total Liabilities	<u>1,866,601</u>	<u>688,652</u>	<u>0</u>	<u>2,555,253</u>
Deferred Inflows of Resources:				
Pension Deferments	<u>8,434</u>	<u>10,825</u>	<u>0</u>	<u>19,259</u>
Net Position:				
Net Investment in Capital Assets	436,360	306,688	0	743,048
Unrestricted	<u>(38,401)</u>	<u>467,501</u>	<u>23,893</u>	<u>452,993</u>
Total Net Position	<u>397,959</u>	<u>774,189</u>	<u>23,893</u>	<u>1,196,041</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,272,994</u>	<u>\$ 1,473,666</u>	<u>\$ 23,893</u>	<u>\$ 3,770,553</u>

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

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Storm Sewer	
Operating Revenues:				
Charges for Services	\$ 164,577	\$ 164,116	\$ 12,760	\$ 341,453
Operating Expenses:				
Wages and Employee Benefits	24,365	37,154	0	61,519
Supplies	245	205	0	450
Insurance	3,112	8,573	0	11,685
Testing	0	15,439	0	15,439
Utilities	10,666	13,613	0	24,279
Professional Services	1,338	0	0	1,338
Repairs and Maintenance	130,871	19,241	925	151,037
Other Expenses	52,828	58,475	0	111,303
Depreciation	88,408	58,899	0	147,307
Total Operating Expenses	<u>311,833</u>	<u>211,599</u>	<u>925</u>	<u>524,357</u>
Income (Loss) From Operations	(147,256)	(47,483)	11,835	(182,904)
Nonoperating Revenues (Expenses):				
Property Taxes	19,823	26,277	0	46,100
Interest Earnings	120	1,004	0	1,124
Other Revenues	660	30	0	690
Interest and Other Expenses	(37,289)	(11,616)	0	(48,905)
Total Nonoperating Revenues (Expenses)	<u>(16,686)</u>	<u>15,695</u>	<u>0</u>	<u>(991)</u>
Income Before Transfers	(163,942)	(31,788)	11,835	(183,895)
Transfers Out	<u>(21,000)</u>	<u>(21,000)</u>	<u>0</u>	<u>(42,000)</u>
Changes in Net Position	(184,942)	(52,788)	11,835	(225,895)
Net Position - January 1	<u>582,901</u>	<u>826,977</u>	<u>12,058</u>	<u>1,421,936</u>
Net Position - December 31	<u>\$ 397,959</u>	<u>\$ 774,189</u>	<u>\$ 23,893</u>	<u>\$ 1,196,041</u>

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

CITY OF WELCOME, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Storm Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	\$ 199,879	\$ 149,104	\$ 12,164	\$ 361,147
Payments to Suppliers	(175,695)	(75,392)	(925)	(252,012)
Payments to Employees	(26,794)	(37,316)	0	(64,110)
Other Receipts	660	29	0	689
Net Cash from Operating Activities	<u>(1,950)</u>	<u>36,425</u>	<u>11,239</u>	<u>45,714</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	<u>(21,000)</u>	<u>(21,000)</u>	<u>0</u>	<u>(42,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Revenue Bonds and Notes	(86,000)	(51,000)	0	(137,000)
Interest and Fees Paid on Revenue Bonds and Notes	(38,950)	(12,130)	0	(51,080)
Property Taxes	20,042	27,100	0	47,142
Purchase of Capital Assets	<u>(17,709)</u>	<u>(7,690)</u>	<u>0</u>	<u>(25,399)</u>
Net Cash from Capital and Related Financing Activities	<u>(122,617)</u>	<u>(43,720)</u>	<u>0</u>	<u>(166,337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>120</u>	<u>1,004</u>	<u>0</u>	<u>1,124</u>
Net Increase (Decrease) in Cash	(145,447)	(27,291)	11,239	(161,499)
Cash and Cash Equivalents - January 1	<u>94,248</u>	<u>465,597</u>	<u>9,109</u>	<u>568,954</u>
Cash and Cash Equivalents - December 31	<u><u>\$ (51,199)</u></u>	<u><u>\$ 438,306</u></u>	<u><u>\$ 20,348</u></u>	<u><u>\$ 407,455</u></u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	\$ (147,256)	\$ (47,483)	\$ 11,835	\$ (182,904)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Other Receipts	660	29	0	689
Depreciation Expense	88,408	58,899	0	147,307
(Increase) Decrease in Accounts Receivable	35,302	38,477	(596)	73,183
(Increase) Decrease in Inventory	30,873	0	0	30,873
(Increase) Decrease in Prepaid Expenses	(572)	(1,301)	0	(1,873)
Increase (Decrease) in Net Pension Liability	(2,869)	(763)	0	(3,632)
Increase (Decrease) in Accrued Wages	110	169	0	279
Increase (Decrease) in Compensated Absences	370	432	0	802
Increase (Decrease) in Accounts Payable	<u>(6,976)</u>	<u>(12,034)</u>	<u>0</u>	<u>(19,010)</u>
Net Cash from Operating Activities	<u><u>\$ (1,950)</u></u>	<u><u>\$ 36,425</u></u>	<u><u>\$ 11,239</u></u>	<u><u>\$ 45,714</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 storm sewer utility system and ensure 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental 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."

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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:

<u>Assets</u>	<u>Capitalization Threshold</u>
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:

<u>Assets</u>	<u>Useful Lives in Years</u>
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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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:

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the Economic Development Authority had expenditures over appropriations of \$55,125. The excess of expenditures over appropriations was funded with available fund balance

C. Deficit Fund Equity

No had fund equity deficits at year end.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the carrying amount of deposits was \$2,701,984 and the bank balance was \$3,012,563. 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Investments

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

Type of Investments	Credit Risk		Fair Value	Interest Risk -		Total
	Rating	Agency	Measurements Using	Maturity	Duration in Years	
				Less Than 1	1 to 5	
Pooled Investments at Amortized Cost						
Minnesota Municipal Money						
Market Fund Liquid Class	AAA	S&P	Cost	\$ 1,234,000	-	\$ 1,234,000
Market Fund Max Class	AAA	S&P	Cost	164,868	-	164,868
US GOVT Money Market Fund	AAA	S&P	Cost	251,227	-	251,227
Non-pooled investments						
Nonegotiable CDs	N/R	N/A	Cost	219,474	-	215,454
Total investments						<u>\$ 1,865,549</u>

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, 2022, the City’s investment portfolio held 12% 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	\$ 203,134	\$ (216,994)
Time deposits	1,875,841	624,449
Cash on hand	100	-
Total deposits	<u>\$ 2,079,075</u>	<u>\$ 407,455</u>
Unrestricted cash and cash equivalents	\$ 2,079,075	\$ 407,455
Investments	1,865,549	
Total cash and investments	<u>\$ 3,944,624</u>	<u>\$ 407,455</u>

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	\$ 21,479	\$ -
Special assessments deferred	331,862	-
Prepaid service fees		1,600
Delinquent special assessments	7,476	-
Total deferred inflows of resources/unearned revenue	<u>\$ 360,817</u>	<u>\$ 1,600</u>

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: \$301,000 of special assessments.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

<u>Transferred From</u>	<u>Transferred To</u>	
	<u>Debt Service</u>	<u>Total</u>
Water fund	\$ 21,000	\$ 21,000
Sewer fund	21,000	21,000
Total	<u>\$ 42,000</u>	<u>\$ 42,000</u>

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

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

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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 52,319	\$ -	\$ -	\$ 52,319
Total capital assets not being depreciated	<u>52,319</u>	<u>-</u>	<u>-</u>	<u>52,319</u>
Capital assets being depreciated				
Infrastructure	4,857,267	-	-	4,857,267
Buildings and Improvements	899,290	-	(6,088)	893,202
Machinery and equipment	<u>2,102,291</u>	<u>95,122</u>	<u>(107,179)</u>	<u>2,090,234</u>
Total capital assets being depreciated	<u>7,858,848</u>	<u>95,122</u>	<u>(113,267)</u>	<u>7,840,703</u>
Less accumulated depreciation for				
Infrastructure	(575,382)	(161,569)	-	(736,951)
Buildings and Improvements	(596,305)	(20,207)	6,088	(610,424)
Machinery and equipment	<u>(1,082,949)</u>	<u>(136,325)</u>	<u>98,675</u>	<u>(1,120,599)</u>
Total accumulated depreciation	<u>(2,254,636)</u>	<u>(318,101)</u>	<u>104,763</u>	<u>(2,467,974)</u>
Total capital assets being depreciated, net	<u>5,604,212</u>	<u>(222,979)</u>	<u>(8,504)</u>	<u>5,372,729</u>
Governmental activities capital assets, net	<u>\$ 5,656,531</u>	<u>\$ (222,979)</u>	<u>\$ (8,504)</u>	<u>\$ 5,425,048</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 5,150	\$ -	\$ -	\$ 5,150
Construction in process	115,005	-	(115,005)	-
Total capital assets not be depreciated	<u>120,155</u>	<u>-</u>	<u>(115,005)</u>	<u>5,150</u>
Capital assets being depreciated				
Distribution system	4,931,902	132,714	-	5,064,616
Machinery and equipment	172,378	7,690	(4,750)	175,318
Total capital assets being depreciated	<u>5,104,280</u>	<u>140,404</u>	<u>(4,750)</u>	<u>5,239,933</u>
Less accumulated depreciation for				
Distribution system	(1,798,880)	(136,045)	-	(1,934,925)
Machinery and equipment	(133,039)	(11,262)	4,750	(139,551)
Total accumulated depreciation	<u>(1,931,919)</u>	<u>(147,307)</u>	<u>4,750</u>	<u>(2,074,476)</u>
Total capital assets being depreciated, net	<u>3,172,361</u>	<u>(6,903)</u>	<u>-</u>	<u>3,165,457</u>
Business-type activities capital assets, net	<u>\$ 3,292,516</u>	<u>\$ (6,903)</u>	<u>\$ (115,005)</u>	<u>\$ 3,170,607</u>

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

Governmental activities	
General government	\$ 2,693
Public safety	91,022
Public works	142,762
Park and recreation	4,881
Economic development	<u>76,743</u>
Total depreciation expense - governmental activities	<u>\$ 318,101</u>
Business-type activities	
Water	\$ 88,408
Sewer	<u>58,899</u>
Total depreciation expense - business-type activities	<u>\$ 147,307</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 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	\$ 1,285,000
G.O. Refunding					
Bonds of 2020A	1,259,000	1.90%	7/10/20	2/1/31	1,040,000
G.O. Housing Development					
Bonds of 2020B	1,500,000	2.12%	9/28/20	2/1/41	<u>1,448,000</u>
Total general obligation improvement bonds					<u><u>\$ 3,773,000</u></u>

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	\$ 365,000
G.O. Water Revenue					
Note, 2018A	789,200	1.00%	12/26/17	8/20/37	621,000
G.O. Utility Revenue					
Bonds, 2019A	1,535,000	2.00-3.00%	8/1/19	2/1/40	<u>1,415,000</u>
Total general obligation revenue bonds/notes					<u><u>\$ 2,401,000</u></u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 219,000	\$ 84,488	\$ 143,000	\$ 49,060
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
2028-2032	1,186,000	242,949	743,000	157,010
2033-2037	797,000	128,969	642,000	82,515
2038-2041	620,000	27,307	290,000	13,200
Total	<u>\$ 3,773,000</u>	<u>\$ 775,395</u>	<u>\$ 2,401,000</u>	<u>\$ 476,785</u>

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO improvement bonds	\$ 3,986,000	\$ -	\$ (213,000)	\$ 3,773,000	\$ 219,000
Bond premiums	25,365	-	(1,371)	23,994	-
Compensated absences	8,436	6,844	(8,436)	6,844	-
Net pension liability	69,624	149,092	(76,134)	142,582	-
Governmental activity long-term liabilities	<u>\$ 4,089,425</u>	<u>\$ 155,936</u>	<u>\$ (298,941)</u>	<u>\$ 3,946,420</u>	<u>\$ 219,000</u>
Business-type activities:					
GO revenue bonds/notes	\$ 2,538,000	\$ -	\$ (137,000)	\$ 2,401,000	\$ 143,000
Bond premiums	28,079	-	(1,518)	26,561	-
Compensated absences	2,218	1,461	(2,218)	1,461	-
Net pension liability	32,867	50,572	(35,940)	47,499	-
Business-type activity long-term liabilities	<u>\$ 2,601,164</u>	<u>\$ 52,033</u>	<u>\$ (176,676)</u>	<u>\$ 2,476,521</u>	<u>\$ 143,000</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, includes the following:

	General	Revolving Loan	Economic Development	Debt Service	Capital Project	Total Fund Balance
Nonspendable						
Prepaid expenses	\$ 34,051	\$ -	\$ 10,186	\$ -	\$ -	\$ 44,237
Long-term receivable	4,579	-	-	-	-	4,579
Endowment	99,562	-	-	-	-	99,562
Total nonspendable	<u>138,191</u>	<u>-</u>	<u>10,186</u>	<u>-</u>	<u>-</u>	<u>148,377</u>
Restricted						
Revolving loan	-	703,929	-	-	-	703,929
Debt service	-	-	-	833,254	-	833,254
Total restricted	<u>-</u>	<u>703,929</u>	<u>-</u>	<u>833,254</u>	<u>-</u>	<u>1,537,183</u>
Committed						
Economic development	-	-	49,341	-	-	49,341
Assigned						
Pulic works equipment	94,402	-	-	-	-	94,402
Cemetery	35,161	-	-	-	-	35,161
Employee severance	6,420	-	-	-	-	6,420
Fire depart equipment	30,000	-	-	-	-	30,000
Townships	34,505	-	-	-	-	34,505
Park and recreation	27,013	-	-	-	-	27,013
Capital projects	124,783	-	-	-	524,691	649,474
Total assigned	<u>352,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>524,691</u>	<u>876,975</u>
Unassigned						
General fund	<u>2,108,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,108,047</u>
Total fund balance	<u>\$ 2,598,522</u>	<u>\$ 703,929</u>	<u>\$ 59,527</u>	<u>\$ 833,254</u>	<u>\$ 524,691</u>	<u>\$ 4,719,923</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 52,319
Infrastructure	4,857,267
Buildings and improvements	893,202
Machinery and equipment	2,090,234
Less: accumulated depreciation	(2,467,974)
Less: long-term debt outstanding	(3,773,000)
Less: bond premiums	(23,994)
Total Net Investment in Capital Assets	<u>1,628,055</u>

Restricted:

Debt Service	1,120,431
Revolving loans	703,930
Endowment	99,562
Total Restricted	<u>1,923,923</u>

Unrestricted	<u>3,070,754</u>
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Total Governmental Activities Net Position	<u>\$ 6,622,732</u>
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Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 5,150
Distribution system	5,064,616
Machinery and equipment	175,318
Less: accumulated depreciation	(2,074,476)
Less: long-term debt outstanding	(2,401,000)
Less: bond premiums	(26,561)
Total Net Investment in Capital Assets	<u>743,048</u>

Unrestricted	<u>452,993</u>
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Total Business-type Activities Net Position	<u>\$ 1,196,041</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022; 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, 2022, were \$13,605. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

D. Pension Costs

On December 31, 2022, the City reported a liability of \$190,081 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 2022. 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 \$5,639.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0024% which was unchanged from its proportion measured as of June 30, 2021. For the year ended December 31, 2022, the City recognized pension expense of \$18,220 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$843 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, 2022, 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	\$ 1,557	\$ 2,024
Differences between projected and actual investment earnings	75,699	71,115
Changes in actuarial assumptions	42,714	884
Changes in proportion	6,480	3,048
City's contributions subsequent to the measurement date	6,857	-
Total	<u>\$ 133,307</u>	<u>\$ 77,071</u>

\$6,857 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, 2023. 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
2023	\$ 22,496
2024	15,692
2025	(5,877)
2026	17,068
2027	-
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**E. Actuarial Assumptions**

The total pension liability in the June 30, 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	June 30, 2022
Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	7.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan 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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, 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, 2022, actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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:

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 2022 was 6.50. 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		
<u>1 Percent Decrease</u>	<u>Current</u>	<u>1 Percent Increase</u>
6.50%	7.50%	8.50%
\$ 300,243	\$ 190,081	\$ 99,731

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.

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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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 \$18,191 in fire state aid to the plan for the year ended December 31, 2022. 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, 2022. In addition, the City made voluntary contributions of \$6,000 to the plan.

D. Pension Costs

On December 31, 2022, the Association reported a net pension liability of \$(31,744). The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 12/31/2020	\$ 377,462	\$ 416,217	\$ (38,755)
Changes for the year:			
Service cost	16,760	-	16,760
Interest	6,994	-	6,994
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	16,256	-	16,256
Contributions - State and local	-	27,416	(27,416)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	7,708	(7,708)
Gain or loss	-	(2,125)	2,125
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	(89,052)	(89,052)	-
Administrative expense	-	-	-
Other deductions (e.g. payables)	-	-	-
Net changes	(49,042)	(56,053)	7,011
Balance at Current Fiscal Year 12/31/2021	\$ 328,420	\$ 360,164	\$ (31,744)

During the measurement period, the benefit level increased from \$1,100 to \$1,150.

For the year ended December 31, 2022, the City recognized pension expense of \$6,779.

On December 31, 2021, 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	\$ -	\$ 6,374
Differences between projected and actual investment earnings	5,133	-
Changes in actuarial assumptions	2,593	-
City's contributions subsequent to the measurement date	24,191	-
Total	\$ 31,917	\$ 6,374

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$24,191 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, 2023. 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
2023	\$ 1,698
2024	711
2025	257
2026	(256)
2027	(557)
Thereafter	(501)

E. Actuarial Assumptions

The total pension liability in the December 31, 2021, 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, 2021
Valuation Date	January 1, 2021
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-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.

Actuarial assumptions used in the December 31, 2021, valuation was based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2022:

- 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%
\$ 22,513	\$ 31,744	\$ 40,932

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

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 2022 was \$192,444 and \$305 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 2022, the City paid \$4,930 to Martin West Equipment Board.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022, the City paid \$158,468 to the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2022

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
12/31/2022	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, 2022

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
12/31/2021	6/30/2021	\$ 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	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 16,760	\$ 20,109	\$ 18,727	\$ 17,741	\$ 16,875	\$ 15,242	\$ 15,242	\$ 14,870
Interest	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	-	(3,999)	-	(5,185)	-	(1,237)	-	-
Administrative expenses	-	-	-	-	-	-	-	-
Net change in total pension liability	(49,042)	(29,093)	43,439	41,555	31,988	34,439	(911)	20,899
Total Pension Liability - beginning of year	377,462	406,555	363,116	321,561	289,573	255,134	256,045	235,146
Total Pension Liability - end of year	\$ 328,420	\$ 377,462	\$ 406,555	\$ 363,116	\$ 321,561	\$ 289,573	\$ 255,134	\$ 256,045
Plan Fiduciary Net Position								
Contributions - state and local	\$ 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	7,708	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	(2,125)	(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	(56,053)	(23,954)	38,547	31,955	24,626	27,269	4,496	28,114
Plan Fiduciary Net Position - beginning	416,217	440,171	401,624	369,669	345,043	317,774	313,278	285,164
Plan Fiduciary Net Position - ending	\$ 360,164	\$ 416,217	\$ 440,171	\$ 401,624	\$ 369,669	\$ 345,043	\$ 317,774	\$ 313,278
Net Pension (Asset) Liability - ending	\$ (31,744)	\$ (38,755)	\$ (33,616)	\$ (38,508)	\$ (48,108)	\$ (55,470)	\$ (62,640)	\$ (57,233)
FNP as a percentage of the TPL	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, 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.

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association

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.

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.

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

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

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

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.

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

B. Volunteer Fire Relief Association Fund – (Continued)

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, 2022

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ 226,688	\$ 589,536	\$ 816,224
Property Tax Receivable	5,383	11,648	17,031
Special Assessments	<u>219,151</u>	<u>104,133</u>	<u>323,284</u>
TOTAL ASSETS	<u>\$ 451,222</u>	<u>\$ 705,317</u>	<u>\$ 1,156,539</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	\$ 219,151	\$ 104,134	\$ 323,285
Fund Balance:			
Restricted	<u>232,071</u>	<u>601,183</u>	<u>833,254</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 451,222</u>	<u>\$ 705,317</u>	<u>\$ 1,156,539</u>

CITY OF WELCOME, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2022

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
Revenues:			
Property Taxes	\$ 112,733	\$ 228,881	\$ 341,614
Special Assessments	16,504	26,420	42,924
Interest Earnings	675	392	1,067
Total Revenues	<u>129,912</u>	<u>255,693</u>	<u>385,605</u>
Expenditures:			
Debt Service:			
Principal	55,000	106,000	161,000
Interest and Other Fees	37,300	20,767	58,067
Total Expenditures	<u>92,300</u>	<u>126,767</u>	<u>219,067</u>
Excess of Revenue Over (Under) Expenditures	37,612	128,926	166,538
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>42,000</u>	<u>42,000</u>
Change in Fund Balance	37,612	170,926	208,538
Fund Balance - January 1	<u>194,459</u>	<u>430,257</u>	<u>624,716</u>
Fund Balance - December 31	<u>\$ 232,071</u>	<u>\$ 601,183</u>	<u>\$ 833,254</u>

CITY OF WELCOME, MINNESOTA

BALANCE SHEET
GENERAL FUND
December 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Checking	\$ (204,557)	\$ 234,920
Savings	490,301	996,806
Investments	1,726,621	956,501
Receivables:		
Interest	76	184
Franchise Fee	3,689	1,460
Property Taxes	529,507	15,438
Due From Other Funds	824	824
Due From Other Governments	100,000	0
Prepaid Expenses	34,051	27,240
Special Assessments	16,053	16,513
Advance to Other Funds	4,579	4,579
	<u>2,701,144</u>	<u>2,254,465</u>
TOTAL ASSETS	\$ 2,701,144	\$ 2,254,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 17,022	\$ 35,259
Accrued Expenses	8,068	1,950
Due to Other Governments	40,000	0
Total Liabilities	<u>65,090</u>	<u>37,209</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Special Assessments	16,053	16,513
Unavailable Revenue - Delinquent Taxes	21,479	13,733
Total Deferred Inflows of Resources	<u>37,532</u>	<u>30,246</u>
Fund Balance:		
Nonspendable	138,191	130,903
Assigned	352,284	292,284
Unassigned	2,108,047	1,763,823
Total Fund Balance	<u>2,598,522</u>	<u>2,187,010</u>
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCE	\$ 2,701,144	\$ 2,254,465

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	Original And Final Budget	Actual 2022	Over (Under) Budget	Actual 2021
Revenues:				
Taxes:				
Property Taxes	\$ 769,155	\$ 766,404	\$ (2,751)	\$ 735,612
Franchise Fees	0	2,692	2,692	1,460
Total Taxes	769,155	769,096	(59)	737,072
Special Assessments	0	797	797	1,613
Intergovernmental:				
Federal Grants and Aids	0	100,000	100,000	0
CARES Act Funding	0	35,462	35,462	35,462
Other Federal Grants	0	0	0	12,845
State Grants and Aids	0	550	550	5,370
Local Government Aid	192,444	192,444	0	192,444
MV Credit	0	305	305	304
Pera State Aid	649	0	(649)	0
Ballfield Agreement	10,000	13,000	3,000	0
Fire State Aid	9,500	18,191	8,691	17,360
Police State Aid	33,000	40,066	7,066	36,770
Other State Aid Grants	0	3,220	3,220	0
Small Cities Assistance	0	0	0	21,695
Total Intergovernmental	245,593	403,238	157,645	322,250
Licenses and Permits	4,000	5,046	1,046	5,354
Charges for Services:				
Township Fire Contracts	7,700	7,700	0	7,700
Township Equip Contributions	0	0	0	251,012
Cemetery Sales	0	800	800	5,600
Rental Income	0	2,113	2,113	10,000
Total Charges for Services	7,700	10,613	2,913	274,312
Fines and Forfeits	2,000	3,392	1,392	4,153
Other Revenues:				
Contributions	0	15,570	15,570	490
Gambling Contributions	0	6,000	6,000	1,000
Garbage Bag Sales	0	749	749	958
Miscellaneous	2,800	5,352	2,552	8,822
Misc. Fire Dept Revenue	0	9,500	9,500	1,620
Total Other Revenues	2,800	37,171	34,371	12,890
Interest and Dividends:				
Interest Earnings	8,000	28,172	20,172	6,048
Dividends	0	4,443	4,443	6,334
Total Interest and Dividends	8,000	32,615	24,615	12,382
Total Revenues	1,039,248	1,261,968	222,720	1,370,026

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	Original And Final Budget	Actual 2022	Over (Under) Budget	Actual 2021
Expenditures:				
General Government:				
Full-Time Employees Regular	\$ 58,000	\$ 59,924	\$ 1,924	\$ 55,530
Full-Time Employees Overtime	0	2,575	2,575	2,138
Mayor and Council Salaries	9,500	8,090	(1,410)	7,120
Attendance Salaries	0	75	75	90
Election Expense	2,200	2,831	631	0
PERA	4,350	4,083	(267)	3,725
FICA	4,450	5,358	908	4,636
Worker's Compensation	540	623	83	614
Office Supplies	2,500	2,586	86	1,553
Equipment Repairs/Maintenance	0	2,689	2,689	3,832
Building Maintenance	3,600	586	(3,014)	523
Garbage Bag Expense	0	551	551	1,102
Education	1,000	125	(875)	2,775
Professional Services	15,500	14,273	(1,227)	15,218
Legal Fees	50,000	27,552	(22,448)	4,350
Travel Expenses	75	0	(75)	0
Print/Binding	4,000	3,698	(302)	3,652
Liability Insurance	4,900	6,589	1,689	4,827
Utilities	6,900	6,530	(370)	7,301
Miscellaneous	1,500	761	(739)	3,748
Dues and Subscriptions	1,500	984	(516)	1,004
Summer Festival	0	3,975	3,975	1,046
Total General Government	<u>170,515</u>	<u>154,458</u>	<u>(16,057)</u>	<u>124,784</u>
Public Safety:				
Police Protection:				
Welcome Assessment	158,468	158,468	0	164,137
Police State Aid	33,000	40,066	7,066	36,770
Total Police Protection	<u>191,468</u>	<u>198,534</u>	<u>7,066</u>	<u>200,907</u>
Fire Protection:				
Attendance Salaries	25,000	31,009	6,009	24,386
FICA	2,000	2,355	355	1,687
Relief Association	16,911	24,191	7,280	23,360
Supplies	4,000	4,822	822	3,345
Worker's Compensation	0	2,887	2,887	2,753
Fuel	750	1,751	1,001	690
Building Maintenance	2,500	2,844	344	688
Pagers and Radios	10,000	4,146	(5,854)	5,182
Education	10,000	11,107	1,107	11,315
Auditing and Accounting Services	0	2,400	2,400	0
Physicals and Medical	1,500	1,738	238	250
Vehicle Expense	10,000	8,063	(1,937)	14,848
Township Agreement	5,000	40,000	35,000	0
Liability Insurance	3,200	3,329	129	3,268

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	Original And Final Budget	Actual 2022	Over (Under) Budget	Actual 2021
Expenditures (Continued):				
Fire Protection: (Continued)				
Utilities	\$ 5,000	\$ 3,098	\$ (1,902)	\$ 2,917
Miscellaneous	3,500	6,949	3,449	2,474
Dues and Subscriptions	1,000	797	(203)	436
Total Fire Protection	<u>100,361</u>	<u>151,486</u>	<u>51,125</u>	<u>97,599</u>
Total Public Safety	<u>291,829</u>	<u>350,020</u>	<u>58,191</u>	<u>298,506</u>
Public Works:				
Full-Time Employees Regular	55,600	50,723	(4,877)	44,384
Full-Time Employees Overtime	0	7,437	7,437	9,809
PERA	4,170	3,485	(685)	3,419
FICA	4,250	4,404	154	3,957
Worker's Compensation	6,300	7,291	991	6,504
Tree Removal	4,500	0	(4,500)	234
Equipment Repairs/Maintenance	35,000	43,403	8,403	28,116
Clothing Allowance	424	406	(18)	409
Vehicle Expense	4,500	1,467	(3,033)	3,551
Street Repairs	80,000	23,077	(56,923)	72,034
Liability Insurance	5,000	5,295	295	5,441
Utilities	12,000	15,213	3,213	15,229
Miscellaneous	2,500	1,034	(1,466)	697
Demolition	20,000	222	(19,778)	860
Wages and Salaries	2,500	1,428	(1,072)	1,469
FICA	0	109	109	112
Total Public Works	<u>236,744</u>	<u>164,994</u>	<u>(71,750)</u>	<u>196,225</u>
Cemetery:				
Full-Time Employees	0	8,576	8,576	11,712
PERA	0	978	978	885
FICA	0	997	997	836
Cemetery	16,000	6,074	(9,926)	648
Total Cemetery	<u>16,000</u>	<u>16,625</u>	<u>625</u>	<u>14,081</u>
Parks & Recreation:				
Full-Time Employees Regular	39,000	27,064	(11,936)	28,608
Part-Time Employees	0	4,670	4,670	0
Shelter House Attendant	0	1,100	1,100	1,059
Committee Fees	500	225	(275)	150
PERA	0	1,987	1,987	1,874
FICA	0	2,476	2,476	2,121
Worker's Compensation	0	155	155	239
Equipment Repairs/Maintenance	15,000	11,789	(3,211)	4,623
Building Maintenance	0	292	292	0
Ballfields Maintenance	0	5,826	5,826	0
Liability Insurance	6,400	3,566	(2,834)	6,349
Utilities	600	701	101	764
Total Parks and Recreation	<u>61,500</u>	<u>59,851</u>	<u>(1,649)</u>	<u>45,787</u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	Original And Final Budget	Actual 2022	Over (Under) Budget	Actual 2021
Expenditures (Continued):				
Capital Outlay:				
General Government	\$ 3,500	\$ 0	\$ (3,500)	\$ 0
Public Safety	100,000	111,955	11,955	390,837
Public Works	50,000	10,400	(39,600)	0
Park and Recreation	30,000	18,183	(11,817)	0
Total Capital Outlay	<u>183,500</u>	<u>140,538</u>	<u>(42,962)</u>	<u>390,837</u>
Total Expenditures	<u>960,088</u>	<u>886,486</u>	<u>(73,602)</u>	<u>1,070,220</u>
Excess of Revenue Over (Under) Expenditures	<u>79,160</u>	<u>375,482</u>	<u>(296,322)</u>	<u>299,806</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	0	36,030	36,030	0
Insurance Reimbursement	<u>0</u>	<u>0</u>	<u>0</u>	<u>810</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>36,030</u>	<u>36,030</u>	<u>810</u>
Change in Fund Balance	<u>\$ 79,160</u>	411,512	<u>\$ 332,352</u>	300,616
Fund Balance - January 1		<u>2,187,010</u>		<u>1,886,394</u>
Fund Balance - December 31		<u>\$ 2,598,522</u>		<u>\$ 2,187,010</u>

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CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION

WATER UTILITY FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Checking	\$ (133,677)	\$ 60,954
Savings	82,478	33,294
Receivables:		
Accounts	43,640	78,743
Property Taxes	0	219
Inventory	0	30,873
Prepaid Expenses	4,158	3,587
Total Current Assets	<u>(3,401)</u>	<u>207,670</u>
Noncurrent Assets:		
Land	5,150	5,150
Construction in Progress	0	115,005
Distribution System	3,042,081	2,909,366
Equipment	100,339	102,714
Accumulated Depreciation	<u>(936,962)</u>	<u>(850,929)</u>
Total Assets	<u>2,207,207</u>	<u>2,488,976</u>
Deferred Outflows of Resources:		
Pension Deferments	<u>14,588</u>	<u>14,163</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,221,795</u>	<u>\$ 2,503,139</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 3,539	\$ 10,406
Interest Payable	12,697	13,143
Current Portion of Long-term Debt	<u>91,000</u>	<u>86,000</u>
Total Current Liabilities	<u>107,236</u>	<u>109,549</u>
Noncurrent Liabilities:		
Compensated Absences	667	298
Deposits Payable	3,450	3,250
Long-term Debt, Net of Current Portion	1,683,249	1,775,463
Net Pension Liability	<u>20,800</u>	<u>15,526</u>
Total Liabilities	<u>1,815,402</u>	<u>1,904,086</u>
Deferred Inflows of Resources:		
Pension Deferments	<u>8,434</u>	<u>16,152</u>
Net Position:		
Net Investment in Capital Assets	436,360	419,843
Unrestricted	<u>(38,401)</u>	<u>163,058</u>
Total Net Position	<u>397,959</u>	<u>582,901</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,221,795</u>	<u>\$ 2,503,139</u>

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, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 129,404	\$ 164,577	\$ 35,173	\$ 155,660
Operating Expenses:				
Wages and Employee Benefits	27,636	24,365	(3,271)	29,538
Supplies	0	245	245	484
Professional Services	0	1,338	1,338	165
Insurance	3,000	3,112	112	2,304
Utilities	12,000	10,666	(1,334)	11,833
Repairs and Maintenance	40,000	130,871	90,871	83,242
Other Expenses	3,256	52,828	49,572	2,990
Depreciation	74,500	88,408	13,908	87,041
Total Operating Expenses	<u>160,392</u>	<u>311,833</u>	<u>151,441</u>	<u>217,597</u>
Income (Loss) From Operations	(30,988)	(147,256)	(116,268)	(61,937)
Nonoperating Revenues (Expenses):				
Property Taxes	12,000	19,823	7,823	9,312
Interest Earnings	1,000	120	(880)	101
Other Revenues	0	660	660	1,912
Interest and Other Expenses	<u>(6,590)</u>	<u>(37,289)</u>	<u>30,699</u>	<u>(38,629)</u>
Total Nonoperating Revenues (Expenses)	<u>6,410</u>	<u>(16,686)</u>	<u>(23,096)</u>	<u>(27,304)</u>
Income (Loss) Before Transfers	(24,578)	(163,942)	(139,364)	(89,241)
Transfers Out	<u>0</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>
Change in Net Position	<u>\$ (24,578)</u>	(184,942)	<u>\$ (160,364)</u>	(110,241)
Net Position - January 1		<u>582,901</u>		<u>693,142</u>
Net Position - December 31		<u>\$ 397,959</u>		<u>\$ 582,901</u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION

SEWER UTILITY FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Checking	\$ (77,864)	\$ 23,359
Savings	516,170	442,238
Receivables:		
Accounts	45,637	84,113
Property Taxes	0	823
Prepaid Expenses	11,000	9,699
Total Current Assets	494,943	560,232
Noncurrent Assets:		
Distribution System	2,022,534	2,022,534
Equipment	74,981	69,665
Accumulated Depreciation	(1,137,516)	(1,080,992)
Total Assets	1,454,942	1,571,439
Deferred Outflows of Resources:		
Pension Deferments	18,724	15,819
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,473,666	\$ 1,587,258
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 3,975	\$ 15,838
Interest Payable	3,873	4,083
Current Portion of Long-term Debt	52,000	51,000
Total Current Liabilities	59,848	70,921
Noncurrent Liabilities:		
Compensated Absences	793	362
Long-term Debt, Net of Current Portion	601,312	653,616
Net Pension Liability	26,699	17,341
Total Liabilities	688,652	742,240
Deferred Inflows of Resources:		
Pension Deferments	10,825	18,041
Net Position:		
Net Investment in Capital Assets	306,688	306,593
Unrestricted	467,501	520,384
Total Net Position	774,189	826,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,473,666	\$ 1,587,258

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, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 137,000	\$ 164,116	\$ 27,116	\$ 163,773
Operating Expenses:				
Wages and Employee Benefits	41,850	37,154	(4,696)	38,345
Supplies	0	205	205	119
Contractual Services	6,000	0	(6,000)	0
Testing	20,000	15,439	(4,561)	16,311
Insurance	7,000	8,573	1,573	5,625
Utilities	15,000	13,613	(1,387)	12,695
Repairs and Maintenance	35,000	19,241	(15,759)	19,489
Other Expenses	3,750	58,475	54,725	4,885
Depreciation	56,300	58,899	2,599	57,776
Total Operating Expenses	<u>184,900</u>	<u>211,599</u>	<u>26,699</u>	<u>155,245</u>
Income (Loss) From Operations	(47,900)	(47,483)	417	8,528
Nonoperating Revenues (Expenses):				
Property Taxes	46,100	26,277	(19,823)	35,031
Interest Earnings	6,000	1,004	(4,996)	1
Other Revenues	0	30	30	60
Interest and Other Expenses	(4,040)	(11,616)	7,576	(12,239)
Total Nonoperating Revenues (Expenses)	<u>48,060</u>	<u>15,695</u>	<u>(32,365)</u>	<u>22,853</u>
Income (Loss) Before Transfers	160	(31,788)	(31,948)	31,381
Transfers Out	<u>0</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>
Changes in Net Position	<u>\$ 160</u>	(52,788)	<u>\$ (52,948)</u>	10,381
Net Position - January 1		<u>826,977</u>		<u>816,596</u>
Net Position - December 31		<u>\$ 774,189</u>		<u>\$ 826,977</u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION
STORM SEWER UTILITY FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Checking	\$ (5,453)	\$ (3,194)
Savings	25,801	12,304
Accounts Receivable	<u>3,545</u>	<u>2,948</u>
TOTAL ASSETS	<u>\$ 23,893</u>	<u>\$ 12,058</u>
NET POSITION		
Unrestricted	<u>\$ 23,893</u>	<u>\$ 12,058</u>

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, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>Over (Under) Budget</u>	<u>2021 Actual</u>
Operating Revenues:				
Charges for Services	\$ 13,500	\$ 12,760	\$ (740)	\$ 12,182
Operating Expenses:				
Repairs and Maintenance	<u>0</u>	<u>925</u>	<u>925</u>	<u>0</u>
Changes in Net Position	<u>\$ 13,500</u>	11,835	<u>\$ (1,665)</u>	12,182
Net Position - January 1		<u>12,058</u>		<u>(124)</u>
Net Position - December 31		<u>\$ 23,893</u>		<u>\$ 12,058</u>

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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F: 507.387.5199

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

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, 2022, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2023.

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*, except as noted in the schedule of findings and responses as items 2022-004 and 2022-005. 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 13, 2023

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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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 13, 2023.

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 2022-001.

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 2022-002 and 2022-003.

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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 13, 2023

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CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2022

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2022-001. 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, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2022

Significant Deficiencies

Finding 2022-002. 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, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2022

Finding 2022-003. 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, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2022

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-004. Public Indebtedness

MSA 471.70 requires the principal accounting officer of the city to report, on or before February 1 of each year, to the auditor of each county in which the city is situated, the total amount of outstanding obligations and the purpose for which issued, as of December 31 of the preceding year.

The City did not report outstanding obligations to the county by February 1.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is now aware of this reporting requirement and will ensure the outstanding obligations form is submitted to the county by the due date in subsequent years.

Official Responsible for Ensuring CAP:

Deb Hansen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2022

Finding 2022-005. Claims and Disbursements

MSA 471.70 states that no disbursement of city funds, including funds of any municipal liquor dispensary operated by the city, shall be made except by an order drawn by the Mayor and Clerk upon the Treasurer.

During 2022, the city disbursed city funds by order on several occasions without the signature of the Clerk/Treasurer.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is now aware of this disbursing requirement and will ensure all future orders will be drawn by the Mayor and Clerk upon the Treasurer.

Official Responsible for Ensuring CAP:

Deb Hansen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA
 SCHEDULE OF PRIOR AUDIT FINDINGS
 December 31, 2022

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2021-001	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2022-002
2021-002	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2022-003

Minnesota Legal Compliance Findings:

None