

INDEPENDENT AUDITOR'S REPORT

**CITY OF MADISON
MADISON, MINNESOTA 56256**

FOR THE YEAR ENDED DECEMBER 31, 2023

**Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
PO Box 707
Madison, Minnesota 56164**

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Madison, Minnesota

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MEMBERS OF THE CITY COUNCIL AND CITY OFFICIALS

CITY COUNCIL

Greg Thole	Mayor
Adam Conroy	Council Member
Paul Zahrbock	Council Member
Maynard Meyer	Council Member
Tim Volk	Council Member

CITY OFFICIALS

Val Halvorson	City Manager
Christine Enderson	City Clerk
Angie Amland	City Treasurer
Rick Stulz	City Attorney

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WITH THE FIRM

Kirk W. Morgan, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Madison, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

Basis for Qualified Opinions

The City has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Volunteer Firefighters' Relief Association in the governmental activities, business-type activities and each major fund and aggregate remaining fund information and, accordingly, has not shown activity related to this standard.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Madison, Madison, Minnesota, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue funds Small Cities Development Program and Reserve for the year ended in accordance with accounting principles generally accepted in the United States of America.

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, that raise substantial doubt about the City of Madison, Madison, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Madison, Madison, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Madison, Madison, Minnesota'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.

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2022, and in our report dated July 13, 2023, we expressed qualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2022, from which it was derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madison, Madison, Minnesota's basic financial statements. The accompanying combining and individual fund financial statements 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to

City of Madison
Madison, Minnesota
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the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2024, on our consideration of the City of Madison, Madison, Minnesota'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 of Madison, Madison, Minnesota'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 of Madison, Madison, Minnesota's internal control over financial reporting and compliance.

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

June 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2023

This section of the City of Madison's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the other components of the City's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Certain comparative information between the current year (2023) and the prior year (2022) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2023 fiscal year include the following:

- Governmental Net position increased by \$522,441 or 12.4% from December 31, 2022.
- Proprietary Net position decreased by \$526,981 or 3.1% from December 31, 2022.
- Total governmental expenditures increased by \$137,983 in comparison to fiscal year 2022.
Governmental revenues decreased by \$1,652,625 in comparison to fiscal year 2022, due to a decrease in Federal Aid and Federal Grants.
- Total proprietary expenditures increased by \$660,331 in comparison to fiscal year 2022 and total proprietary revenues increased by \$359,521 in comparison to fiscal year 2022.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include government-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

The government-wide statements (statement of net position and statement of activities) report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position -- the difference between the City's assets and liabilities -- is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in government support to assess the overall health of the City.

Fund Financial Statements

The fund financial statements include more detailed information about a City's individual funds. The City maintains two types of funds.

Governmental Funds - The City's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's activities. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

The City maintains fifteen governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Small Cities Development Program Fund, Reserve Fund, and Utility Extension Project Fund, which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of individual and combining statements elsewhere in the report.

Proprietary Funds – The City of Madison maintains seven proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Madison uses the enterprise funds to account for Storm Sewer, Electric, Water, Sewer, Sanitation, Liquor and Apartments operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the proprietary funds. These are considered to be major funds of the City of Madison.

Financial Analysis of the City as a Whole/Financial Analysis of the City's Funds (Government-Wide Statements)

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Madison, assets exceeded liabilities by \$21,477,028 at the close of the most recent fiscal year. This was an decrease of .02% from the previous year total of \$21,481,568.

Table 1 is a summarized view of the City's Statement of Net Position.

Table 1 Statement of Net Position As of December 31, 2023						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
Assets	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	2,496,020	3,710,156	3,833,603	4,138,368	6,329,623	7,848,524
Capital assets, net of depreciation	15,119,467	13,268,805	14,570,579	14,479,471	29,690,046	27,748,276
Total Assets	17,615,487	16,978,961	18,404,182	18,617,839	36,019,669	35,596,800
Deferred Outflows of Resources						
Related to Pensions	61,183	99,542	78,423	127,589	139,606	227,131
Total Assets and Deferred Outflows of Resources	17,676,670	17,078,503	18,482,605	18,745,428	36,159,275	35,823,931
Liabilities						
Current and other liabilities	689,537	220,352	212,414	246,777	901,951	467,129
Long-term liabilities	12,165,661	12,630,863	1,440,425	1,233,860	13,606,086	13,864,723
Total Liabilities	12,855,198	12,851,215	1,652,839	1,480,637	14,508,037	14,331,852
Deferred Inflows of Resources						
Related to Pensions	76,349	4,606	97,861	5,905	174,210	10,511
Net Position						
Net investment in capital assets	3,169,467	833,805	13,406,579	13,536,471	16,576,046	14,370,276
Restricted	898,444	657,454	1,500,000	1,500,000	2,398,444	2,157,454
Unrestricted	677,212	2,731,423	1,825,326	2,222,415	2,502,538	4,953,838
Net Position	4,745,123	4,222,682	16,731,905	17,258,886	21,477,028	21,481,568
Total Liabilities, Deferred Inflows Of Resources and Net Position	17,676,670	17,078,503	18,482,605	18,745,428	36,159,275	35,823,931

The City's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the City.

Table 2
Change in Net Position
For the year ended December 31, 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
Revenues						
Program Revenues	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Charges for Services	464,571	318,883	4,043,314	3,683,793	4,507,885	4,002,676
Operating Grants and Contributions	240,232	294,697			240,232	294,697
General Revenues						
Property Taxes	948,603	707,082			948,603	707,082
State Aid Not						
Restricted For Specific Purposes	1,064,202	947,289			1,064,202	947,289
Federal Aid						
Restricted to Specific Purposes	422,332	2,223,782			422,332	2,223,782
Unrestricted Investment Earnings	52,530	16,272	37,639	2,875	90,169	19,147
Gain (Loss) on Sale of Property	10,025		(13,826)		(3,801)	
Other Revenues	<u>241,107</u>	<u>444,190</u>			<u>241,107</u>	<u>444,190</u>
Total Revenues	<u>3,443,602</u>	<u>4,952,195</u>	<u>4,067,127</u>	<u>3,686,668</u>	<u>7,510,729</u>	<u>8,638,863</u>
Expenses						
General Government	1,042,978	614,854			1,042,978	614,854
Public Safety	667,506	649,953			667,506	649,953
Public Works	557,129	780,444			557,129	780,444
Culture and Recreation	178,840	309,566			178,840	309,566
Economic Development	127,905	60,786			127,905	60,786
Infrastructure Replacement	263,141	263,141			263,141	263,141
Miscellaneous	467,227	2,343,463			467,227	2,343,463
Interest on Long-Term Debt	346,076	361,689			346,076	361,689
Storm Sewer			125,637	108,234	125,637	108,234
Electric			1,528,988	1,239,049	1,528,988	1,239,049
Water			639,155	512,560	639,155	512,560
Sewer			707,620	550,823	707,620	550,823
Sanitation			250,565	219,690	250,565	219,690
Liquor			485,032	456,231	485,032	456,231
Apartments			<u>127,470</u>	<u>112,527</u>	<u>127,470</u>	<u>112,527</u>
Total Expenses	<u>3,650,802</u>	<u>5,383,896</u>	<u>3,864,467</u>	<u>3,199,114</u>	<u>7,515,269</u>	<u>8,583,010</u>
Increase (Decrease) in						
Net Position Before Transfers	(207,200)	(431,701)	202,660	487,554	(4,540)	55,853
Net Transfers	<u>729,641</u>	<u>857,422</u>	<u>(729,641)</u>	<u>(857,422)</u>	<u>-0-</u>	<u>-0-</u>
Change in Net Position	<u>522,441</u>	<u>425,721</u>	<u>(526,981)</u>	<u>(369,868)</u>	<u>(4,540)</u>	<u>55,853</u>
Beginning Net Position	<u>4,222,682</u>	<u>3,796,961</u>	<u>17,258,886</u>	<u>17,628,754</u>	<u>21,481,568</u>	<u>21,425,715</u>
Ending Net Position	<u>4,745,123</u>	<u>4,222,682</u>	<u>16,731,905</u>	<u>17,258,886</u>	<u>21,477,028</u>	<u>21,481,568</u>

The City's total revenue consists of program revenues of \$4,748,117, property taxes of \$948,603, state aids of \$1,064,202, federal aids of \$422,332, investment earnings of \$90,169, gain (loss) on sale of property of (\$3,801) and miscellaneous revenues of \$241,107.

The cost of all government and business-type activities this year was \$7,515,269.

- The users of the city programs paid for 60.0% or \$4,507,885 of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$240,232 or 3.2% of total costs.
- The state government subsidized certain programs with grants and contributions. This totaled \$1,064,202 or 14.2% of the total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions for Governmental activities. Figure C and D show further analysis of these revenue sources and expenditures functions for Business-Type Activities.

Figure A - Sources of Revenues for Fiscal Year 2023
Governmental Activities

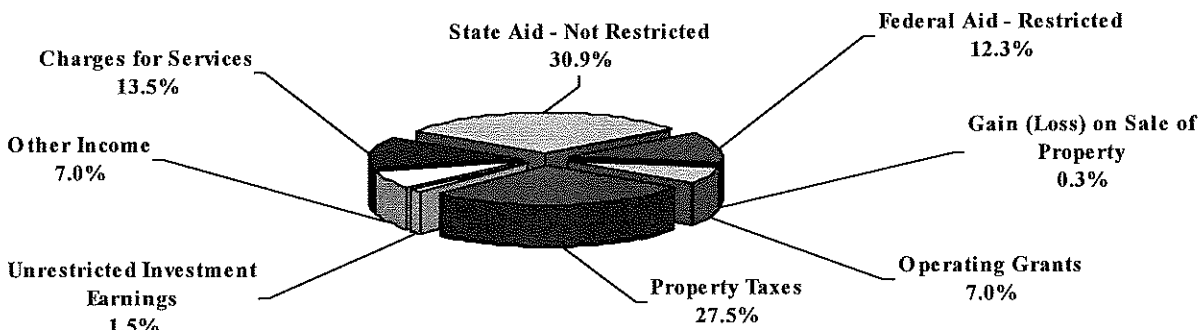


Figure B - Expenses for Fiscal 2023
Governmental Activities

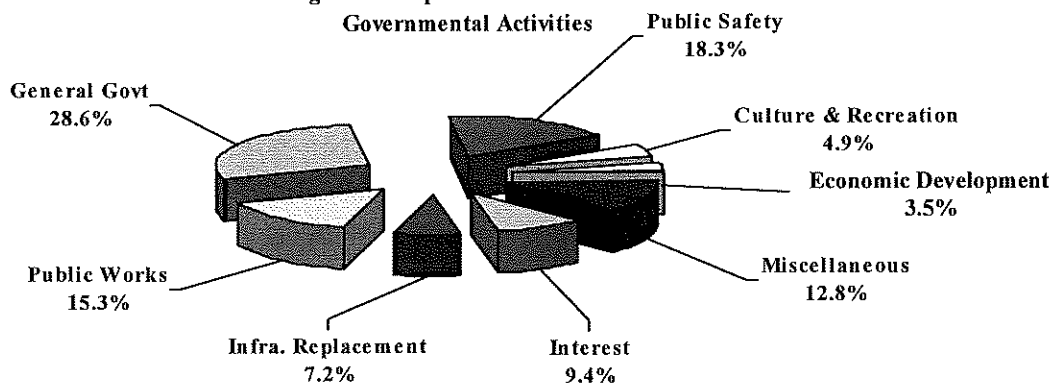


Figure C - Sources of Revenues for Fiscal 2023
Business-Type Activities

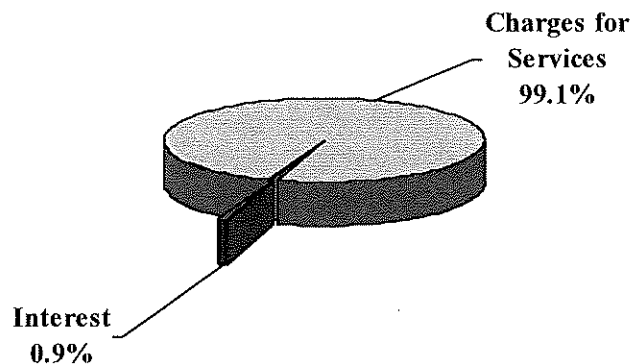
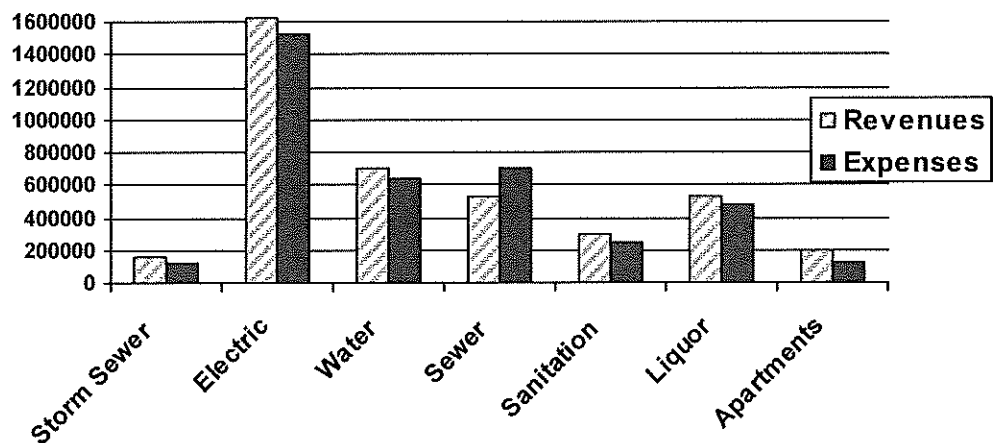


Figure D - Expenses and Program Revenues for Fiscal Year 2023

Business-Type Activities



Financial Analysis of the City's Funds (Fund Financial Statements)

Fund Balance/Net Position

The financial performance of the city as a whole is reflected in its governmental funds as well. As the city completed the year, the governmental funds reported a combined fund balance of \$1,070,259. The prior year fund balance was \$2,824,027, which is a decrease of \$1,753,768. The General Fund had a decrease of \$275,866. The Reserve Fund had an increase of \$46,620. The Small Cities Development Program Fund had a decrease of \$12,793. The Utility Extension Project Fund had a decrease of \$1,730,638. Other Nonmajor Governmental Funds had an increase of \$218,909.

The proprietary funds completed the year with combined net position of \$16,731,905. The prior year net position was \$17,258,886, which is a decrease of \$526,981. The Storm Sewer Fund had a decrease of \$84,594. The Electric Fund had an increase of \$6,833. The Water Fund had a decrease of \$248,542. The Sewer Fund had a decrease of \$308,999. The Sanitation Fund had an increase of \$7,524. The Liquor Fund had an increase of \$22,749. The Apartments Fund had an increase of \$78,048. Revenues were more than in the prior year for the Storm Sewer, Electric, Water, Sewer, Sanitation, and Liquor, and less than in the Apartments Fund. Expenses were more than in the prior year for all proprietary funds. All funds except for the Apartments Fund transferred dollars out to other funds.

Revenues and Expenditures/Expenses

Revenues of the city's governmental funds totaled \$3,481,510 and expenditures totaled \$5,974,944. A Summary of the revenues and expenditures reported on the governmental financial statement is as follows:

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	2,311,930	2,445,721	(142,075)	(275,866)
Reserve Fund	493,502	464,882	18,000	46,620
Small Cities Development Program Fund	50,233	63,026		(12,793)
Utility Extension Project Fund		1,730,638		(1,730,638)
Other Governmental Funds	625,845	1,270,677	863,741	218,909
Total	<u>3,481,510</u>	<u>5,974,944</u>	<u>739,666</u>	<u>(1,753,768)</u>

City of Madison
Madison, Minnesota

Revenues of the city's proprietary funds totaled \$4,043,314 and expenses totaled \$3,848,548. A summary of the revenues and expenses reported on the proprietary funds statements are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
Storm Sewer Fund	163,038	125,637	(121,995)	(84,594)
Electric Fund	1,623,025	1,528,808	(87,384)	6,833
Water Fund	697,268	639,155	(306,655)	(248,542)
Sewer Fund	534,486	699,114	(144,371)	(308,999)
Sanitation Fund	296,422	250,565	(38,333)	7,524
Liquor Fund	526,182	485,032	(18,401)	22,749
Apartments Fund	202,893	120,237	(4,608)	78,048
Total	<u>4,043,314</u>	<u>3,848,548</u>	<u>(721,747)</u>	<u>(526,981)</u>

General Fund Budgetary Highlights

The City is required to adopt an operating budget prior to the beginning of its fiscal year. Once the General Fund budget has been adopted, the City might amend it for known changes in circumstances such as legislative funding. During fiscal year 2023, the City did not revise the original budget. The City's General Fund budget anticipated that revenues and other financing sources (uses) would balance to expenditures. The actual results showed expenditures exceeding revenues and other financing sources (uses) by \$275,866.

- Actual revenues were over budget by \$527,750.
- Actual expenditures were over budget by \$813,641.

Capital Assets

Table 3 shows the City's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending December 31, 2023.

Table 3
Capital Assets

<u>Governmental Activities</u>	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Land and Land Improvements	502,419	502,419	
Construction in Progress	77,251	163,131	(85,880)
Buildings	5,290,166	4,895,598	394,568
Furniture and Equipment	5,006,871	4,679,277	327,594
Infrastructure	14,806,311	13,081,872	1,724,439
Less accumulated depreciation	(10,563,551)	(10,053,492)	(510,059)
Total	<u>15,119,467</u>	<u>13,268,805</u>	<u>1,850,662</u>
Depreciation Expense	<u>551,066</u>	<u>544,659</u>	<u>6,407</u>

<u>Business-Type Activities</u>	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Land	93,797	93,797	
Construction in Progress	52,095	32,482	19,613
Buildings	10,839,826	10,528,772	311,054
Furniture and Equipment	5,010,550	4,669,102	341,448
Infrastructure	9,174,476	9,174,476	
Less accumulated depreciation	(10,600,165)	(10,019,158)	(581,007)
Total	<u>14,570,579</u>	<u>14,479,471</u>	<u>91,108</u>
Depreciation Expense	<u>606,724</u>	<u>631,988</u>	<u>(25,264)</u>

Capital asset activity occurring in 2023 included utility expansion project, city hall tower, Eastview Apartment shingles, parking lot, city hall windows, overhead door, gas furnace at the library, 2023 Versa lift truck, memorial field LED lights, sprayer, snowblower, pool pumps, snow pusher, 400 amp generator and sewer pump.

Long-Term Liabilities

At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,285,000 and notes payable of \$829,000. Of the bonded amount, \$5,335,000 is general obligation bonds, \$5,825,000 is general obligation water and sewer improvement bonds, and \$335,000 is general obligation tax abatement bonds. The remainder of the City's bonded debt of \$790,000 consists of bonds secured by specified revenue sources (i.e. revenue bonds).

Table 4
Outstanding Debt
As of December 31, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Obligation Bonds	5,335,000		5,335,000
General Obligation Revenue Bonds	790,000		790,000
General Ob. Tax Abatement Bond		335,000	335,000
Gen. Ob. Water & Sewer Impr. Bonds	5,825,000		5,825,000
General Obligation Sewer Rev. Note		<u>829,000</u>	<u>829,000</u>
Total Debt	11,950,000	1,164,000	13,114,000
Accrued Compensated Absences	<u>21,112</u>	<u>22,945</u>	<u>44,057</u>
Total Debt	<u>11,971,112</u>	<u>1,186,945</u>	<u>13,158,057</u>

The City implemented the Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) during 2015. Pension benefits payable total \$492,086 at December 31, 2023. More detailed information about the city's long-term liabilities is presented in Note 4.

City of Madison
Madison, Minnesota

Factors Bearing on the City's Future

The City is dependent on the State of Minnesota for a significant portion of its funding. The continuation of this funding is dependent on the actions taken by Minnesota legislature in the future.

Contacting the City's Management

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City of Madison at 404 Sixth Avenue, Madison, Minnesota 56256.

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STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government			
	Governmental Activities	Business-Type Activities	2023	2022
<u>Assets</u>				
Cash and Investments	2,381,990	2,027,871	4,409,861	5,786,894
Restricted Cash	157,358		157,358	150,519
Receivables:				
Accounts	320,104	333,330	653,434	770,909
Taxes-Delinquent	30,530		30,530	42,424
Special Assessments	327,551	15,458	343,009	332,487
Special Assessments-Delinquent	11,744		11,744	15,650
Notes	514,743		514,743	577,552
Internal Balances	(1,248,000)	1,248,000		
Inventory		175,806	175,806	142,132
Prepaid Items		33,138	33,138	29,957
Capital Assets				
Non-Depreciable	579,670	145,892	725,562	759,347
Depreciable - net of accumulated depreciation	14,539,797	14,424,687	28,964,484	26,988,929
Total Assets	17,615,487	18,404,182	36,019,669	35,596,800
<u>Deferred Outflows of Resources</u>				
Related to Pensions	61,183	78,423	139,606	227,131
Total Assets and Deferred Outflows of Resources	17,676,670	18,482,605	36,159,275	35,823,931
<u>Liabilities</u>				
Accounts Payable	650,800	120,723	771,523	141,138
Accrued Wages and Payroll Deductions	9,536	11,475	21,011	13,666
Accrued Compensated Absences	21,112	22,945	44,057	36,376
Accrued Bond Interest	8,089	10,068	18,157	12,984
Deposits Payable		31,745	31,745	28,965
Unearned Revenue		15,458	15,458	
Noncurrent liabilities				
Due within one year	125,000	34,000	159,000	234,000
Due in more than one year	11,825,000	1,130,000	12,955,000	13,144,000
Pension Benefit Payable	215,661	276,425	492,086	720,723
Total Liabilities	12,855,198	1,652,839	14,508,037	14,331,852
<u>Deferred Inflows of Resources</u>				
Related to Pensions	76,349	97,861	174,210	10,511
<u>Net Position</u>				
Net Investment in Capital Assets	3,169,467	13,406,579	16,576,046	14,370,276
Restricted for:				
Capital Projects	702,289		702,289	650,204
Debt Service	196,155		196,155	119,828
Capital Improvements		1,500,000	1,500,000	1,500,000
Unrestricted	677,212	1,825,326	2,502,538	4,841,260
Total Net Position	4,745,123	16,731,905	21,477,028	21,481,568
Total Liabilities, Deferred Inflows of Resources and Net Position	17,676,670	18,482,605	36,159,275	35,823,931

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
							2023	2022
Governmental Activities:								
General Government	1,042,978	72,131	161,373		(809,474)		(809,474)	(333,423)
Public Safety	667,506	298,733	24,913		(343,860)		(343,860)	(456,456)
Public Works	557,129		6,003		(551,126)		(551,126)	(774,441)
Culture and Recreation	178,840	46,798			(132,042)		(132,042)	(264,877)
Economic Development	127,905	46,909	60		(80,936)		(80,936)	(11,745)
Infrastructure Replacement	263,141				(263,141)		(263,141)	(263,141)
Miscellaneous	467,227		47,883		(419,344)		(419,344)	(2,304,544)
Interest on Long-Term Debt	346,076				(346,076)		(346,076)	(361,689)
Total Governmental Activities	3,650,802	464,571	240,232	-0-	(2,945,999)	-0-	(2,945,999)	(4,770,316)
Business-Type Activities								
Storm Sewer	125,637	163,038				37,401	37,401	43,123
Electric	1,528,988	1,623,025				94,037	94,037	205,531
Water	639,155	697,268				58,113	58,113	110,326
Sewer	707,620	534,486				(173,134)	(173,134)	(67,143)
Sanitation	250,565	296,422				45,857	45,857	60,534
Liquor	485,032	526,182				41,150	41,150	30,945
Apartments	127,470	202,893				75,423	75,423	101,363
Total Business-Type Activities	3,864,467	4,043,314	-0-	-0-	-0-	178,847	178,847	484,679
Total Government	7,515,269	4,507,885	240,232	-0-	(2,945,999)	178,847	(2,767,152)	(4,285,637)
General Revenues								
Property Taxes and Assessments					948,603		948,603	707,082
State Aid Not Restricted to Specific Purposes					1,064,202		1,064,202	947,289
Federal Aid Restricted to Specific Purposes					422,332		422,332	2,223,782
Unrestricted Investment Earnings					52,530	37,639	90,169	19,147
Other Revenues					241,107		241,107	444,190
Gain (Loss) on Sale of Property					10,025	(13,826)	(3,801)	
Transfers					729,641	(729,641)		
Total General Revenues and Transfers					3,468,440	(705,828)	2,762,612	4,341,490
Change in Net Position					522,441	(526,981)	(4,540)	55,853
Net Position - Beginning					4,222,682	17,258,886	21,481,568	21,425,715
Net Position - Ending					4,745,123	16,731,905	21,477,028	21,481,568

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Small Cities Development Program	Reserve	Utility Extension Project
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Cash and Investments	629,983	76,118	374,684	
Restricted Cash	157,358			
Due from other Funds				
Receivables:				
Accounts	81,791		100,000	
Taxes-Delinquent	30,530			
Special Assessments	20,111			
Special Assessments-Delinquent	4,111			
Notes		411,725		
Total Assets	<u>923,884</u>	<u>487,843</u>	<u>474,684</u>	<u>-0-</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	18,069			627,731
Accrued Salaries and Payroll Deductions	9,536			
Due To Other Funds	32,515			1,215,485
Total Liabilities	<u>60,120</u>	<u>-0-</u>	<u>-0-</u>	<u>1,843,216</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Notes		407,984		
Unavailable Revenue-Taxes/ Special Assessments	44,579			
Total Deferred Inflows of Resources	<u>44,579</u>	<u>407,984</u>	<u>-0-</u>	<u>-0-</u>
 <u>Fund Balances</u>				
Restricted		79,859		
Committed	1,046,489		474,684	
Assigned	4,466			
Unassigned	(231,770)			(1,843,216)
Total Fund Balance	<u>819,185</u>	<u>79,859</u>	<u>474,684</u>	<u>(1,843,216)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>923,884</u>	<u>487,843</u>	<u>474,684</u>	<u>-0-</u>

See accompanying notes to the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds	
	2023	2022
1,301,205	2,381,990	2,117,593
	157,358	150,519
		136,918
138,313	320,104	510,847
	30,530	42,424
307,440	327,551	332,487
7,633	11,744	15,650
103,018	514,743	577,552
<u>1,857,609</u>	<u>3,744,020</u>	<u>3,883,990</u>
5,000	650,800	66,340
	9,536	6,431
	1,248,000	173,834
<u>5,000</u>	<u>1,908,336</u>	<u>246,605</u>
	407,984	447,889
<u>312,862</u>	<u>357,441</u>	<u>365,469</u>
312,862	765,425	813,358
818,585	898,444	770,032
721,162	2,242,335	2,014,612
	4,466	10,819
	(2,074,986)	28,564
<u>1,539,747</u>	<u>1,070,259</u>	<u>2,824,027</u>
<u>1,857,609</u>	<u>3,744,020</u>	<u>3,883,990</u>

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

	<u>2023</u>		<u>2022</u>	
Total Governmental Fund Balances	1,070,259		2,824,027	
Amounts Reported in Governmental Activities in the Statement of Net Position are Different Because:				
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds				
Cost of Capital Assets	25,683,018		23,322,297	
Less: Accumulated Depreciation	<u>(10,563,551)</u>	15,119,467	<u>(10,053,492)</u>	13,268,805
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred inflows of resources in the funds.				
Delinquent Property Taxes Receivable	357,030		365,058	
Special Assessments Receivable	411		411	
Notes Receivable	<u>407,984</u>	765,425	<u>447,889</u>	813,358
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred Outflows of Resources related to Pensions	61,183		99,542	
Deferred Inflows of Resources related to Pensions	<u>(76,349)</u>	(15,166)	<u>(4,606)</u>	94,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end-consist of :				
Bonds / Notes Payable	(11,950,000)		(12,435,000)	
Pension Benefits Payable	<u>(215,661)</u>	(12,165,661)	<u>(315,863)</u>	(12,750,863)
Interest on long-term debt is not accrued in funds.		(8,089)		(9,089)
Compensated absences are not accrued in funds.		<u>(21,112)</u>		<u>(18,492)</u>
Total net position - governmental activities		<u>4,745,123</u>		<u>4,222,682</u>

See accompanying notes to the financial statements.

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Small Cities Development Program Fund	Reserve Fund	Utility Extension Project Fund	Nonmajor Governmental Funds
<u>Revenues</u>					
General Property Taxes	546,336				176,531
Licenses and Permits	10,050				
Federal Aid			422,332		
Federal Grant	161,373				
State Aid	1,020,643		66,472		
County Aid					2,000
Other Local Governments	152,411				
Fines and Forfeits	5,020				
Lodging Tax					2,348
Loan Principal		46,909			
Interest	29,888	3,264	3,925		15,453
Donations			773		47,110
Charges for Services	108,879				147,305
Small Cities Development Grant		60			
Special Assessments					233,764
Miscellaneous Revenues	277,330				1,334
Total Revenues	2,311,930	50,233	493,502	-0-	625,845
<u>Expenditures</u>					
General Government	1,222,720				
Public Safety	497,541				133,758
Public Works	314,871				
Culture and Recreation	410,589				
Economic Development		63,026			64,879
Miscellaneous			464,882		2,345
Capital Projects				1,730,638	240,239
Debt Service:					
Principal					485,000
Interest					344,456
Total Expenditures	2,445,721	63,026	464,882	1,730,638	1,270,677
Excess of Revenues Over Expenditures	(133,791)	(12,793)	28,620	(1,730,638)	(644,832)
<u>Other Financing Sources (Uses)</u>					
Sale of Property	10,025				
Transfer In	102,000		60,000		941,211
Transfer Out	(254,100)		(42,000)		(77,470)
Total Other Financing Sources (Uses)	(142,075)	-0-	18,000	-0-	863,741
Net Change in Fund Balances	(275,866)	(12,793)	46,620	(1,730,638)	218,909
Fund Balance-Beginning	1,095,051	92,652	428,064	(112,578)	1,320,838
Fund Balance-Ending	819,185	79,859	474,684	(1,843,216)	1,539,747

See accompanying notes to the financial statements.

Total Governmental Funds	
2023	2022
722,867	617,894
10,050	9,113
422,332	2,223,782
161,373	211,140
1,087,115	968,775
2,000	1,000
152,411	46,609
5,020	3,603
2,348	5,284
46,909	32,892
52,530	16,272
47,883	38,919
256,184	232,669
60	16,149
233,764	205,826
278,664	504,208
3,481,510	5,134,135
1,222,720	764,339
631,299	729,327
314,871	453,098
410,589	327,780
127,905	60,786
467,227	2,343,463
1,970,877	330,648
485,000	470,000
344,456	357,520
5,974,944	5,836,961
(2,493,434)	(702,826)
10,025	
1,103,211	1,182,894
(373,570)	(325,472)
739,666	857,422
(1,753,768)	154,596
2,824,027	2,669,431
1,070,259	2,824,027

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>		<u>2022</u>
Net Change in Governmental Fund Balances	(1,753,768)		154,596

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$2,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital Outlay	2,401,728		553,440
Depreciation Expense	<u>(551,066)</u>	1,850,662	<u>(544,659)</u>
			8,781

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:

Change in Compensated Absences	(2,620)		(5,169)
Change in Accrued Interest	1,000		1,000
Payment of Bond Principal	<u>485,000</u>	483,380	<u>470,000</u>
			465,831

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Pension Benefits	(9,900)		(21,547)
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Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

Change in Property taxes and Special Assessments	(8,028)		(116,638)
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Certain revenues are recognized as soon as they are earned.

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Change in Note Receivable	(39,905)		(65,302)
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Change in Net Position of Governmental Activities	<u>522,441</u>		<u>425,721</u>
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See accompanying notes to the financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Taxes	544,815	544,815	546,336	1,521
Licenses and Permits	5,300	5,300	10,050	4,750
Federal Grant			161,373	161,373
State Aid	786,562	786,562	1,020,643	234,081
Other Local Governments	65,353	65,353	152,411	87,058
Fines and Forfeits	4,000	4,000	5,020	1,020
Interest	53,000	53,000	29,888	(23,112)
Donations	500	500		(500)
Charges for Services	105,850	105,850	108,879	3,029
Miscellaneous Revenues	218,800	218,800	277,330	58,530
Total Revenues	1,784,180	1,784,180	2,311,930	527,750
<u>Expenditures</u>				
<u>General Government</u>				
Mayor and Council	25,190	25,190	23,930	1,260
City Attorney	26,000	26,000	24,000	2,000
City Hall	53,380	53,380	364,025	(310,645)
City Administrator	435,932	435,932	461,315	(25,383)
Elections	1,500	1,500	672	828
Environmental	21,300	21,300	2,758	18,542
Annual Appropriations	35,125	35,125	34,510	615
Planning and Zoning	14,000	14,000	5,547	8,453
Unallocated	2,900	2,900	305,963	(303,063)
Total General Government	615,327	615,327	1,222,720	(607,393)
<u>Public Safety</u>				
Police Protection	275,737	275,737	278,369	(2,632)
Fire Department	113,440	113,440	219,172	(105,732)
Total Public Safety	389,177	389,177	497,541	(108,364)
<u>Public Works</u>				
Civil Defense			43,220	(43,220)
Street Department	284,729	284,729	271,651	13,078
Total Public Works	284,729	284,729	314,871	(30,142)
<u>Culture and Recreation</u>				
Library	118,051	118,051	142,400	(24,349)
Parks and Recreation	66,615	66,615	109,372	(42,757)
Grand Theater	12,950	12,950	14,012	(1,062)
Skating Rink	12,101	12,101	18,005	(5,904)
Swimming Pool	133,130	133,130	126,800	6,330
Total Culture and Recreation	342,847	342,847	410,589	(67,742)
Total Expenditures	1,632,080	1,632,080	2,445,721	(813,641)
Excess of Revenues Over Expenditures	152,100	152,100	(133,791)	(285,891)
<u>Other Financing Sources (Uses)</u>				
Sale of Property			10,025	10,025
Transfer In	102,000	102,000	102,000	
Transfer Out	(254,100)	(254,100)	(254,100)	
Total Other Financing Sources (Uses)	(152,100)	(152,100)	(142,075)	10,025
Net Change in Fund Balances	-0-	-0-	(275,866)	(275,866)
Fund Balance-Beginning			1,095,051	
Fund Balance-Ending			819,185	

See accompanying notes to the financial statements.

SMALL CITIES DEVELOPMENT PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Interest Income	1,000	1,000	3,264	2,264
Loan Principal	17,500	17,500	46,909	29,409
Refunds and Reimbursements			60	60
Total Revenue	18,500	18,500	50,233	31,733
 <u>Expenditures</u>				
Auditing			500	(500)
Contracted Services			62,526	(62,526)
Total Expenditures	-0-	-0-	63,026	(63,026)
 Excess Revenues (Expenditures)	18,500	18,500	(12,793)	(31,293)
Fund Balance-Beginning			92,652	
Fund Balance-Ending			79,859	

See accompanying notes to the financial statements.

RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Better (Worse)</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Donations			773	773
Federal Aid			422,332	422,332
Interest Income			3,925	3,925
Local Government Aid			66,472	66,472
Refunds and Reimbursements	100,000	100,000		(100,000)
Total Revenue	100,000	100,000	493,502	393,502
<u>Expenditures</u>				
Professional Services			450,632	(450,632)
Repairs and Maintenance			14,250	(14,250)
Total Expenditures	-0-	-0-	464,882	(464,882)
Excess Revenues (Expenditures)	100,000	100,000	28,620	(71,380)
<u>Other Financing Sources (Uses)</u>				
Transfers In	60,000	60,000	60,000	
Transfers Out	(42,000)	(42,000)	(42,000)	
Total Other Financing Sources (Uses)	18,000	18,000	18,000	-0-
Net Change in Fund Balances	118,000	118,000	46,620	(71,380)
Fund Balance-Beginning			428,064	
Fund Balance-Ending			474,684	

See accompanying notes to the financial statements.

ALL PROPRIETARY FUND TYPES
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Storm Sewer Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
<u>Assets</u>				
<u>Current Assets</u>				
Cash	133,988	1,279,888		108,130
Receivables				
Accounts	18,672	146,034	64,812	56,556
Special Assessments				15,458
Due From Other Funds		1,411,631		
Inventory		76,904	51,180	
Prepaid Items		6,603	3,294	4,960
Total Current Assets	<u>152,660</u>	<u>2,921,060</u>	<u>119,286</u>	<u>185,104</u>
<u>Noncurrent Assets</u>				
<u>Capital Assets</u>				
Land		71,853	21,944	
Property and Equipment	3,528,906	1,847,252	7,507,802	10,628,334
Less: Accumulated Depreciation	<u>(1,426,079)</u>	<u>(1,050,756)</u>	<u>(3,170,117)</u>	<u>(3,839,717)</u>
Total Noncurrent Assets	<u>2,102,827</u>	<u>868,349</u>	<u>4,359,629</u>	<u>6,788,617</u>
Total Assets	<u>2,255,487</u>	<u>3,789,409</u>	<u>4,478,915</u>	<u>6,973,721</u>
<u>Deferred Outflows of Resources</u>				
Related to Pensions		38,718	17,903	15,657
Total Assets and Deferred Outflows of Resources	<u>2,255,487</u>	<u>3,828,127</u>	<u>4,496,818</u>	<u>6,989,378</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	42	80,929	4,975	5,868
Accrued Wages		5,168	2,357	2,358
Accrued Interest Payable				3,021
Compensated Absences Payable		10,515	6,099	6,099
Deposits Payable		18,300		
Due to other Funds			163,631	
Unearned Revenue-Special Assessments				15,458
Current Portion of Debt				34,000
Total Current Liabilities	<u>42</u>	<u>114,912</u>	<u>177,062</u>	<u>66,804</u>
<u>Noncurrent Liabilities</u>				
Bonds Payable				795,000
Pension Benefit Payable		136,473	63,104	55,188
Total Noncurrent Liabilities	<u>-0-</u>	<u>136,473</u>	<u>63,104</u>	<u>850,188</u>
Total Liabilities	<u>42</u>	<u>251,385</u>	<u>240,166</u>	<u>916,992</u>
<u>Deferred Inflows of Resources</u>				
Related to Pensions		48,315	22,340	19,538
<u>Net Position</u>				
Net Investment in Capital Assets	2,102,827	868,349	4,359,629	5,959,617
Restricted		1,500,000		
Unrestricted	152,618	1,160,078	(125,317)	93,231
Total Net Position	<u>2,255,445</u>	<u>3,528,427</u>	<u>4,234,312</u>	<u>6,052,848</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>2,255,487</u>	<u>3,828,127</u>	<u>4,496,818</u>	<u>6,989,378</u>

See accompanying notes to the financial statements.

Exhibit J

Sanitation Fund	Liquor Fund	Apartments Fund	Total	
			2023	2022
133,576	136,815	235,474	2,027,871	3,669,301
28,726		18,530	333,330	260,062
			15,458	
			1,411,631	96,583
	47,722		175,806	142,132
	1,123	17,158	33,138	29,957
<u>162,302</u>	<u>185,660</u>	<u>271,162</u>	<u>3,997,234</u>	<u>4,198,035</u>
			93,797	93,797
54,805	102,134	1,407,714	25,076,947	24,404,832
(50,522)	(87,781)	(975,193)	(10,600,165)	(10,019,158)
<u>4,283</u>	<u>14,353</u>	<u>432,521</u>	<u>14,570,579</u>	<u>14,479,471</u>
<u>166,585</u>	<u>200,013</u>	<u>703,683</u>	<u>18,567,813</u>	<u>18,677,506</u>
	6,145		78,423	127,589
<u>166,585</u>	<u>206,158</u>	<u>703,683</u>	<u>18,646,236</u>	<u>18,805,095</u>
18,316	10,470	123	120,723	74,798
	1,592		11,475	7,235
		7,047	10,068	3,895
	232		22,945	17,884
		13,445	31,745	28,965
			163,631	59,667
			15,458	
			34,000	114,000
<u>18,316</u>	<u>12,294</u>	<u>20,615</u>	<u>410,045</u>	<u>306,444</u>
		335,000	1,130,000	829,000
	21,660		276,425	404,860
<u>-0-</u>	<u>21,660</u>	<u>335,000</u>	<u>1,406,425</u>	<u>1,233,860</u>
<u>18,316</u>	<u>33,954</u>	<u>355,615</u>	<u>1,816,470</u>	<u>1,540,304</u>
	7,668		97,861	5,905
4,283	14,353	97,521	13,406,579	13,536,471
			1,500,000	1,500,000
143,986	150,183	250,547	1,825,326	2,222,415
<u>148,269</u>	<u>164,536</u>	<u>348,068</u>	<u>16,731,905</u>	<u>17,258,886</u>
<u>166,585</u>	<u>206,158</u>	<u>703,683</u>	<u>18,646,236</u>	<u>18,805,095</u>

ALL PROPRIETARY FUND TYPES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Storm Sewer Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>
<u>Operating Revenues</u>			
Sales and Customer Use Fees	163,038	1,623,025	697,268
Total Revenues	163,038	1,623,025	697,268
<u>Operating Expenses</u>			
Cost of Sales and Services		839,542	
Administration	37,503	620,522	455,805
Depreciation	88,134	68,744	183,350
Total Expenses	125,637	1,528,808	639,155
Operating Income (Loss)	37,401	94,217	58,113
<u>Non-Operating Revenues (Expenses)</u>			
Interest Expense		(180)	
Interest Income	2,191	26,622	453
Sale of Property		(13,826)	
Transfers Out	(124,186)	(100,000)	(307,108)
Total Non-Operating Revenues (Expenses)	(121,995)	(87,384)	(306,655)
Change in Net Position	(84,594)	6,833	(248,542)
Total Net Position - January 1	2,340,039	3,521,594	4,482,854
Total Net Position - December 31	<u>2,255,445</u>	<u>3,528,427</u>	<u>4,234,312</u>

See accompanying notes to the financial statements.

Sewer Fund	Sanitation Fund	Liquor Fund	Apartments Fund	Total	
				2023	2022
534,486	296,422	526,182	202,893	4,043,314	3,683,793
534,486	296,422	526,182	202,893	4,043,314	3,683,793
	69,987	384,734		1,294,263	1,115,189
465,575	180,334	98,778	89,044	1,947,561	1,441,040
233,539	244	1,520	31,193	606,724	631,988
699,114	250,565	485,032	120,237	3,848,548	3,188,217
(164,628)	45,857	41,150	82,656	194,766	495,576
(8,506)			(7,233)	(15,919)	(10,897)
2,482	1,667	1,599	2,625	37,639	2,875
				(13,826)	
(138,347)	(40,000)	(20,000)		(729,641)	(857,422)
(144,371)	(38,333)	(18,401)	(4,608)	(721,747)	(865,444)
(308,999)	7,524	22,749	78,048	(526,981)	(369,868)
6,361,847	140,745	141,787	270,020	17,258,886	17,628,754
6,052,848	148,269	164,536	348,068	16,731,905	17,258,886

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Business-Type Activities</u>	
<u>Cash Flows From Operating Activities</u>	<u>Storm Sewer</u>	<u>Electric</u>
Receipts from Customers and Users	159,655	1,609,779
Payments to Vendors and Suppliers	(37,479)	(1,321,992)
Payments to Employees		(73,288)
Net Cash Provided By Operating Activities	122,176	214,499
<u>Cash Flows From Noncapital Financing Activities</u>		
(Increase) Decrease in Due From Other Funds		(1,315,048)
Increase (Decrease) in Due To Other Funds		
Increase (Decrease) in Pension Liability		6,265
Transfers Out	(124,186)	(100,000)
Net Cash Provided (Used) By Noncapital Financing Activities	(124,186)	(1,408,783)
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of Capital Assets		(387,078)
Sale of Capital Assets		6,175
Bond Proceeds		
Principal Paid on Long-Term Debt		
Interest Paid on Long-Term Debt		
Net Cash (Used) By Capital and Related Financing Activities	-0-	(380,903)
<u>Cash Flows From Investing Activities</u>		
Interest Income	2,191	26,622
Interest Expense		(180)
Net Cash Provided By Investing Activities	2,191	26,442
Net Increase (Decrease) in Cash and Cash Equivalents	181	(1,548,745)
Cash and Cash Equivalents, January 1	133,807	2,828,633
Cash and Cash Equivalents, December 31	133,988	1,279,888
<u>Reconciliation of Operating Income To Net</u>		
<u>Cash Provided (Used) By Operating Activities</u>		
Operating Income	37,401	94,217
Depreciation	88,134	68,744
(Increase) Decrease in Accounts Receivable	(3,383)	(15,566)
(Increase) Decrease in Inventory		2,134
(Increase) Decrease in Other Current Assets		(330)
Increase (Decrease) in Accounts Payable	24	59,137
Increase (Decrease) in Wages and Benefits Payable		1,575
Increase (Decrease) in Compensated Absences		1,938
Increase (Decrease) in Deposits		2,650
Net Cash Provided By Operating Activities	122,176	214,499

See accompanying notes to the financial statements.

-- Enterprise Funds					Total	
Water	Sewer	Sanitation	Liquor	Apartments	2023	2022
677,000	520,288	295,098	526,182	184,492	3,972,494	3,681,779
(355,598)	(340,820)	(251,149)	(430,175)	(90,944)	(2,828,157)	(2,195,419)
(121,607)	(133,317)		(66,754)		(394,966)	(373,821)
199,795	46,151	43,949	29,253	93,548	749,371	1,112,539
					(1,315,048)	62,806
103,964					103,964	18,041
2,896	2,533		993		12,687	27,620
(307,108)	(138,347)	(40,000)	(20,000)		(729,641)	(857,422)
(200,248)	(135,814)	(40,000)	(19,007)	-0-	(1,928,038)	(748,955)
	(19,700)			(311,053)	(717,831)	(42,097)
					6,175	
				335,000	335,000	
	(34,000)			(80,000)	(114,000)	(113,000)
	(8,630)			(936)	(9,566)	(11,660)
-0-	(62,330)	-0-	-0-	(56,989)	(500,222)	(166,757)
453	2,482	1,667	1,599	2,625	37,639	2,875
					(180)	(107)
453	2,482	1,667	1,599	2,625	37,459	2,768
	(149,511)	5,616	11,845	39,184	(1,641,430)	199,595
	257,641	127,960	124,970	196,290	3,669,301	3,469,706
-0-	108,130	133,576	136,815	235,474	2,027,871	3,669,301
58,113	(164,628)	45,857	41,150	82,656	194,766	495,576
183,350	233,539	244	1,520	31,193	606,724	631,988
(20,268)	(14,198)	(1,324)		(18,531)	(73,270)	(3,579)
(26,120)			(9,688)		(33,674)	(22,575)
(200)	(595)		(33)	(2,023)	(3,181)	(1,501)
1,876	(10,205)	(828)	(4,202)	123	45,925	16,406
1,124	1,077		464		4,240	(802)
1,920	1,161		42		5,061	(4,509)
				130	2,780	1,535
199,795	46,151	43,949	29,253	93,548	749,371	1,112,539

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the City of Madison have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

The City of Madison, Madison, Minnesota, was formed and operates pursuant to applicable Minnesota laws and statutes. The City of Madison operates under an elected Mayor and four-member Council form of government. The Council has control over all activities related to the City of Madison.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The Madison Economic Development Authority is included in this report because the city council does oversee its operations and appoints members of the EDA Board. All EDA funds are included as blended component units, shown as separate funds of the city.

C. Basic Financial Statements Presentation

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities* which normally are supported by taxes and Inter-governmental revenue's, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods,

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statement Presentation - continued

services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

D. Basis of Accounting and Measurement Focus

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

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. Property taxes are considered to be available if collected within 60 days of fiscal year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of state or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The City reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

recognition in the current period. Unavailable revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

Description of Funds

The City reports the following **major governmental funds**:

Governmental Funds

General Fund

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

Small Cities Development Program Fund

The Small Cities Development Program Fund is a special revenue fund that accounts for the continued activity of the SCDG grant received by the city.

Reserve Fund

The Reserve Fund is a special revenue fund.

Utility Extension Project Fund

The Utility Extension Project Fund accounts for the activity of the Utility Extension Project.

The City reports the following **major proprietary funds**:

Electric Fund

The Electric Fund is used to account for the operation of the City's electric system.

Water Fund

The Water Fund is used to account for the operation, maintenance, and capital improvements of the City's water system.

Sewer Fund

The Sewer Fund is used to account for the operation, maintenance, and capital improvements of the City's sewer system.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus – continued

Storm Sewer Fund

The Storm Sewer Fund is used to account for the operation, maintenance, and capital improvements of the City's storm sewer system.

Liquor Fund

The Liquor Fund is used to account for the operation, maintenance, and capital improvements of the City's municipal liquor store.

Apartments Fund

The Eastview Housing Fund is used to account for the operation, maintenance, and capital improvements of the City's Eastview Housing property.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus – continued

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

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by city personnel and approved by the council. Encumbrances are not considered in the budget process nor in the regular city accounting.

Once a budget is approved, it can be amended by city personnel with approval by the council. Amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The City uses the average cash balance method of allocating investment income to the various funds.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the City. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. Inventories

Inventories are valued at cost based upon a first in, first out basis. The Liquor, Electric, Sewer and Water Funds are the funds with inventory in the City.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of Significant Accounting Policies - continued

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

J. Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. The County provides tax settlements to Cities and other taxing districts three times a year in January, June and December. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$2,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 50 years for buildings and improvements, 3 to 40 years for equipment and vehicles, and 20 to 100 years for public domain infrastructure. Land is not depreciated.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The City has only one item that qualifies for reporting this category: "Related to Pensions".

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arises only under a modified accrual basis of accounting, that qualify for reporting in this category (unearned notes, unearned property taxes/special assessments and amounts related to pensions). Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Fund Equity

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 the resources in the governmental funds. The following are the five fund balance categories used by the city:

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The City's highest level of decision making authority is the city council. In order to establish, modify or rescind a committed fund balance amount, the council would need to approve the action at a council meeting.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of significant Accounting Policies – continued

N. Fund Equity – continued

The city council has delegated the authority to assign fund balance amounts to the city clerk. Assigned amounts or changes to assigned amounts are presented to the council for review.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

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.

When any combination of committed, assigned, and unassigned resources are available for use, it is the city's policy to use committed resources first, then assigned, then unassigned resources as they are needed.

O. Net Position

Net position represents the difference between assets and liabilities in the government-wide and Fiduciary Fund financial statements. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

P. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 Summary of significant Accounting Policies – continued

Q. Certain Comparative Data

Certain comparative total data for the prior year have been presented in the government-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

S. Subsequent Events

Subsequent events have been evaluated through June 14, 2024, which is the date the financial statements were available to be issued.

Note 2 Cash and Investments

A. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the City's bank balance of \$758,323 was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 2 Cash and Investments – continued

B. Investments

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the years ended December 31, 2023 and 2022, the City had no investments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 Capital Assets

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

	<u>Balance</u> <u>01/01/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/23</u>
Governmental Activities				
Capital Assets not depreciated:				
Land & Land Improvements	502,419			502,419
Construction in Progress	<u>163,131</u>	<u> </u>	(85,880)	<u>77,251</u>
Total capital assets not depreciated	665,550	-0-	(85,880)	579,670
Capital Assets depreciated:				
Buildings	4,895,598	394,568		5,290,166
Furniture and Equipment	4,679,277	368,601	(41,007)	5,006,871
Infrastructure	<u>13,081,872</u>	<u>1,724,439</u>	<u> </u>	<u>14,806,311</u>
Total capital assets depreciated	22,656,747	2,487,608	(41,007)	25,103,348
Less accumulated depreciation for:				
Buildings	(2,173,171)	(151,010)		(2,324,181)
Furniture and Equipment	(4,148,051)	(136,915)	41,007	(4,243,959)
Infrastructure	<u>(3,732,270)</u>	<u>(263,141)</u>	<u> </u>	<u>(3,995,411)</u>
Total accumulated depreciation	(10,053,492)	(551,066)	41,007	(10,563,551)
Total capital assets depreciated-net	<u>12,603,255</u>	<u>1,936,542</u>	-0-	<u>14,539,797</u>
Net Capital Assets	<u>13,268,805</u>	<u>1,936,542</u>	(85,880)	<u>15,119,467</u>
Business-Type Activities				
Capital Assets not depreciated:				
Land	93,797			93,797
Construction in Progress	<u>32,482</u>	<u>19,613</u>	<u> </u>	<u>52,095</u>
Total capital assets not depreciated	126,279	19,613	-0-	145,892
Capital Assets depreciated:				
Buildings	10,528,772	311,054		10,839,826
Furniture and Equipment	4,669,102	387,165	(45,717)	5,010,550
Infrastructure	<u>9,174,476</u>	<u> </u>	<u> </u>	<u>9,174,476</u>
Total capital assets depreciated	24,372,350	698,219	(45,717)	25,024,852
Less accumulated depreciation for:				
Buildings	(4,231,238)	(220,120)		(4,451,358)
Furniture and Equipment	(3,181,424)	(152,064)	25,717	(3,307,771)
Infrastructure	<u>(2,606,496)</u>	<u>(234,540)</u>	<u> </u>	<u>(2,841,036)</u>
Total accumulated depreciation	(10,019,158)	(606,724)	25,717	(10,600,165)
Total capital assets depreciated-net	<u>14,353,192</u>	<u>91,495</u>	(20,000)	<u>14,424,687</u>
Net Capital Assets	<u>14,479,471</u>	<u>111,108</u>	(20,000)	<u>14,570,579</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 Capital Assets – continued

Depreciation expense of \$1,157,790 for the year ended December 31, 2023 was charged to the following functions/programs:

Governmental Activities:

General Government	112,693
Public Safety	36,207
Public Works	50,580
Culture and Recreation	88,445
Infrastructure Replacement	<u>263,141</u>
Total	<u>551,066</u>

Business-Type Activities

Storm Sewer	88,134
Electric	68,744
Water	183,350
Sewer	233,539
Sanitation	244
Liquor	1,520
Apartments	<u>31,193</u>
Total	<u>606,724</u>

Note 4 Long-Term Debt

General Long-Term Debt

A. General Obligation Bonds

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

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

These bonds were issued for street improvements. The debt is general obligation of the City and will be retired through ad valorem tax levies.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 Long-Term Debt - continued

General Long-Term Debt - continued

A. General Obligation Bonds – continued

	<u>Authorized And Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Year-End Balance</u>
\$6,710,000 General Obligation Refunding Bonds, Series 2015A	\$6,710,000	1.0-4.0%	10/27/15	1/1/45	5,335,000
\$1,485,000 General Obligation Refunding and Water Revenue Bonds, Series 2016A	\$1,485,000	2.0-3.0%	11/7/16	2/1/32	790,000
\$6,395,000 General Obligation Water & Sewer Improvement Refunding Bonds, Series 2021A	\$6,395,000	1.05-3.0%	2/11/21	1/1/47	<u>5,825,000</u>
					<u>\$11,950,000</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	125,000	174,522	299,522
2025	510,000	322,397	832,397
2026	460,000	308,769	768,769
2027	470,000	295,831	765,831
2028	475,000	285,388	760,388
2029-2033	2,300,000	1,229,274	3,529,274
2034-2038	2,635,000	917,600	3,552,600
2039-2043	3,030,000	507,915	3,537,915
2044-2048	<u>1,945,000</u>	<u>75,750</u>	<u>2,020,750</u>
Total	<u>11,950,000</u>	<u>4,117,446</u>	<u>16,067,446</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 Long-Term Debt – continued
Proprietary Fund Debt

B. Note Payable

This note was issued for the construction of a wastewater treatment facility. The total amount of the loan was for \$1,074,997 and the city received advances as needed, not to exceed \$1,074,997. The loan balance was \$829,000 as of December 31, 2023. The debt is a General obligation of the City and will be retired through the sewer fund.

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Year-End Balance</u>
\$1,074,997 General Obligation Sewer Revenue Note of 2015	\$1,038,133	.31-3.34%	9/23/15	8/20/45	\$829,000

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	34,000	8,290	42,290
2025	34,000	7,950	41,950
2026	35,000	7,610	42,610
2027	35,000	7,260	42,260
2028	35,000	6,910	41,910
2029-2033	182,000	29,190	211,190
2034-2038	191,000	19,930	210,930
2039-2043	201,000	10,180	211,180
2044-2048	82,000	1,230	83,230
Total	<u>829,000</u>	<u>98,550</u>	<u>927,550</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 Long-Term Debt – continued
Proprietary Fund Debt

C. General Obligation Tax Abatement Bonds

These bonds were issued to finance the construction of parking lot improvements to the Eastview Apartments. These bonds will be retired from net revenue of the enterprise funds.

	<u>Authorized And Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Year-End Balance</u>
\$335,000 General Obligation Tax Abatement Bonds, Series 2023A	\$335,000	4.49%	6/26/23	2/1/34	335,000

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024		8,273	8,273
2025	27,000	15,042	42,042
2026	29,000	13,829	42,829
2027	30,000	12,527	42,527
2028	31,000	11,180	42,180
2029-2033	178,000	33,630	211,630
2034-2038	40,000	1,796	41,796
Total	<u>335,000</u>	<u>96,277</u>	<u>431,277</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4

Long-Term Debt - continued
D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Additions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
\$6,710,000 General Obligation Refunding Bonds, Series 2015A	5,510,000	175,000		5,335,000	
\$1,485,000 General Obligation Refunding and Water Revenue Bonds, Series 2016A	910,000	120,000		790,000	125,000
\$6,395,000 General Obligation Water & Sewer Improvement Refunding Bonds Series 2021A	6,015,000	190,000		5,825,000	
Compensated Absences	<u>18,492</u>		<u>2,620</u>	<u>21,112</u>	
Governmental Activity Long-Term Liabilities	<u>12,453,492</u>	<u>485,000</u>	<u>2,620</u>	<u>11,971,112</u>	<u>125,000</u>

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Additions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
\$765,000 Housing Development Refunding Bonds, Series 2014A	80,000	80,000		-0-	
\$335,000 General Obligation Tax Abatement Bonds, Series 2023A			335,000	335,000	
\$1,074,997 General Obligation Sewer Revenue Note of 2015	863,000	34,000		829,000	34,000
Compensated Absences	<u>17,884</u>		<u>5,061</u>	<u>22,945</u>	
Business-Type Activity Long-Term Liabilities	<u>960,884</u>	<u>114,000</u>	<u>340,061</u>	<u>1,186,945</u>	<u>34,000</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 5 Fund Balances

Non-Spendable Fund Balance

The City has no non-spendable fund balances as of December 31, 2023.

Restricted Fund Balances

The City has the following restricted fund balances as of December 31, 2023:

Small Cities Development Program Fund	79,859
Infrastructure Replacement Debt Service Fund	89,371
2015 G.O. Refunding Fund	75,186
2016 G.O. Refunding/Water Rev Fund	31,598
Culture & Rec. Capital Fund	105,759
Building & Equipment Capital Fund	441,009
Streets Capital Fund	<u>75,662</u>
Total Restricted	<u>898,444</u>

Committed Fund Balances

The City has the following committed fund balances as of December 31, 2023:

General Fund	1,046,489
Ambulance Fund	298,643
Economic Development Fund	133,425
EDA Revolving Loan Fund	159,392
Reserve Fund	474,684
Sewer System Replacement Fund	<u>129,702</u>
Total Committed	<u>2,242,335</u>

Assigned Fund Balance

The City has the following assigned fund balance as of December 31, 2023:

General Fund	<u>4,466</u>
Total Assigned	<u>4,466</u>

Unassigned Fund Balances

The City has the following unassigned fund balances as of December 31, 2023:

General Fund	(231,770)
Utility Extension Project Fund	<u>(1,843,216)</u>
Total Unassigned	<u>(2,074,986)</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan – continued

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for the Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2023, were \$63,787. The City’s contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$492,086 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$13,651. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportion share was 0.0088% at the end of the measurement period and 0.0091% for the beginning of the period.

City’s proportionate share of the net pension liability	\$492,086
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>\$13,651</u>
Total	<u>\$505,737</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan – continued

D. Pension Costs - continued

For the year ended December 31, 2023, the City recognized pension expense of \$12,961 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$61 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employee's Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	16,293	3,505
Changes in actuarial assumptions	82,378	134,877
Difference between projected and actual investment earnings		18,008
Changes in proportion	4,497	17,820
Contributions paid to PERA subsequent to the measurement date	36,438	
Total	139,606	174,210

\$36,438 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2024	12,383
2025	(80,449)
2026	7,698
2027	(10,674)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan – continued

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan – continued

F. Actuarial Methods and Assumptions - continued

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the GERS net pension liability:	\$870,540	\$492,086	\$180,794

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 Defined Benefit Pension Plan – continued

I. Pension Plan Fiduciary Net Position

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

Note 7 Defined Contribution Plan

Twenty ambulance employees of the City of Madison, Madison, Minnesota are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2023 were:

	Contribution Amount
For the Year Ended:	Employer
December 31, 2023	\$7,950

Note 8 Vacation and Sick Leave

Full-time employees accrue 12 sick days per year, which may be accrued up to a maximum of 60 days. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonable estimated, a liability for unused sick leave is not recorded in the financial statements.

Full-time employees receive vacation based on their years of service. From the beginning of employment through the first year, employees earn 5 days of vacation. After one year of employment through four years, employees earn 10 days of vacation. After four years of employment through eleven years, employees earn 15 days of vacation per year. After eleven years of employment, employees earn 19 days of vacation. An employee may accrue vacation leave according to the following schedule: 1) years 1-4 may accrue up to 120 hours; 2) years 4-

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 8 Vacation and Sick Leave – continued

11 may accrue up to 180 hours; 3) years 11 or more may accrue up to 240 hours. No accrual will be permitted beyond the maximum without city council approval.

Note 9 Excess of Expenditures Over Appropriations

The following funds had excess expenditures over budget appropriations:

General	813,641
EDA Revolving Loan	3,653
Small Cities Development Program	63,026
Reserve	464,882

Note 10 Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the League of Minnesota Cities Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

Note 11 Interfund Transfers

The following inter-fund transfers occurred during 2023:

	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Operating Transfers</u>		
General Fund	254,100	102,000
Ambulance Fund		10,000
Economic Development Fund	7,500	40,000
Reserve Fund	42,000	60,000
Sewer System Replacement Fund		16,000
2016 G.O. Refunding/Water Rev Fund		147,610
Infrastructure Replacement Fund		226,000
2015 G.O. Refunding Fund		180,031
Culture & Rec. Capital Fund	69,970	32,500
Building & Equipment Capital Fund		199,070
Streets Capital Fund		90,000
Storm Sewer Fund	124,186	
Electric Fund	100,000	
Water Fund	307,108	
Sewer Fund	138,347	
Liquor Fund	20,000	
Sanitation Fund	40,000	
	<u>1,103,211</u>	<u>1,103,211</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 11 **Interfund Transfers – continued**

Transfers are primarily used to move funds to finance various programs in accordance with council authorizations and resolutions.

Note 12 **Restricted Cash**

The restricted cash is a permanent endowment of funds received from an estate that is invested to ensure a long-term revenue source for the library. The library board of directors will determine the use of the revenue on an annual basis.

Note 13 **Due To/From Funds**

Below is a schedule of interfund receivables and payables at December 31, 2023:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General		32,515
Utility Extension Project		1,215,485
Water		163,631
Electric	1,411,631	
Total	<u>1,411,631</u>	<u>1,411,631</u>

Note 14 **Deficit Fund Balances**

The following fund had a deficit fund balance at December 31, 2023:

Utility Extension Project	1,843,216
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The City intends to fund this deficit through future levies, grants, transfers from other funds, and various other sources.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2023

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the Employer (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
PERA							
June 30, 2015	0.0085%	440,514			499,338	88.2%	78.2%
June 30, 2016	0.0079%	641,441	8,374	649,815	491,078	132.3%	68.9%
June 30, 2017	0.0083%	529,867	6,648	536,515	533,520	100.6%	75.9%
June 30, 2018	0.0087%	482,640	15,681	498,321	541,267	92.1%	79.5%
June 30, 2019	0.0085%	469,946	14,666	484,612	564,173	85.9%	80.2%
June 30, 2020	0.0088%	527,600	16,321	543,921	746,000	72.9%	79.0%
June 30, 2021	0.0091%	388,611	11,895	400,506	776,587	51.6%	87.0%
June 30, 2022	0.0091%	720,723	21,204	741,927	798,267	92.9%	76.7%
June 30, 2023	0.0088%	492,086	13,651	505,737	808,360	62.6%	83.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
Pensions					
PERA					
2015	37,123	37,123	-0-	494,980	7.5%
2016	38,090	38,090	-0-	507,870	7.5%
2017	41,740	41,740	-0-	556,533	7.5%
2018	39,284	39,284	-0-	523,787	7.5%
2019	54,382	54,382	-0-	725,093	7.5%
2020	58,203	58,203	-0-	776,040	7.5%
2021	57,301	57,301	-0-	764,013	7.5%
2022	60,088	60,088	-0-	801,173	7.5%
2023	63,787	63,787	-0-	850,493	7.5%

See Note 6, Defined Benefit Pension Plans, for more information

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available. Additional years will be reported as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contributions of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 20, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund – continued

2020 Changes – continued

Changes in Actuarial Assumptions – continued

- 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund - continued

2019 Changes

Changes in Actuarial Assumptions

- The morality 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

Changes in Actuarial Assumptions

- The morality 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.

Changes in Plan Provisions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund – continued

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund – continued

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	Special Revenue Funds					Debt Service Funds		
	Ambulance Fund	Economic Development Fund	EDA Revolving Loan Fund	Small Cities Development Program 2017 Fund	Sewer System Replacement Fund	Infrastructure Replacement Project Fund	2016 G.O. Refunding/ Water Rev Fund	2015 G.O. Refunding Fund
Assets								
Cash	163,868	134,725	56,374		129,702	89,230	31,598	73,116
Receivables:								
Accounts	138,313							
Special Assessments			411			57,530		249,499
Special Assessments-Delinquent								7,633
Notes			103,018					
Total Assets	302,181	134,725	159,803	-0-	129,702	146,760	31,598	330,248
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	3,538	1,300						
Total Liabilities	3,538	1,300	-0-	-0-	-0-	-0-	-0-	-0-
Deferred Inflows of Resources								
Unavailable Revenue-Taxes						57,389		255,062
Unavailable Revenue-Special Assessments			411					
Total Deferred Inflows of Resources	-0-	-0-	411	-0-	-0-	57,389	-0-	255,062
Fund Balances								
Restricted						89,371	31,598	75,186
Committed	298,643	133,425	159,392		129,702			
Total Fund Balance	298,643	133,425	159,392	-0-	129,702	89,371	31,598	75,186
Total Liabilities, Deferred Inflows of Resources and Fund Balance	302,181	134,725	159,803	-0-	129,702	146,760	31,598	330,248

Capital Projects Funds			Total
Culture & Rec Capital Fund	Building and Equipment Capital Fund	Streets Capital Fund	Nonmajor Governmental Funds
105,782	441,148	75,662	1,301,205
			138,313
			307,440
			7,633
			103,018
105,782	441,148	75,662	1,857,609
23	139		5,000
23	139	-0-	5,000
			312,451
			411
-0-	-0-	-0-	312,862
105,759	441,009	75,662	818,585
105,759	441,009	75,662	721,162
105,759	441,009	75,662	1,539,747
105,782	441,148	75,662	1,857,609

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds					Debt Service Funds		
	Ambulance Fund	Economic Development Fund	EDA Revolving Loan Fund	Small Cities Development Program 2017 Fund	Sewer System Replacement Fund	Infrastructure Replacement Project Fund	2016 G.O. Refunding/ Water Rev Fund	2015 G.O. Refunding Fund
Revenues								
Charges for Services	147,305							
County Aid	2,000							
Donations								
Interest Income	2,030	1,323	2,618		1,375	963		737
Lodging Tax		2,348						
Property Tax		11,258				87,829		77,444
Refunds and Reimbursements	1,334							
Special Assessments		46,250				51,040		136,474
Total Revenues	152,669	61,179	2,618	-0-	1,375	139,832	-0-	214,655
Expenditures								
Economic Development		61,226	3,653					
Capital Projects								
Miscellaneous						775	775	795
Public Safety	133,758							
Debt Service:								
Principal						190,000	120,000	175,000
Interest						120,348	20,613	203,495
Total Expenditures	133,758	61,226	3,653	-0-	-0-	311,123	141,388	379,290
Excess Revenues (Expenditures)	18,911	(47)	(1,035)	-0-	1,375	(171,291)	(141,388)	(164,635)
Other Financing Sources (Uses)								
Transfer In	10,000	40,000			16,000	226,000	147,610	180,031
Transfer Out		(7,500)						
Total Other Financing Sources (Uses)	10,000	32,500	-0-	-0-	16,000	226,000	147,610	180,031
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	28,911	32,453	(1,035)		17,375	54,709	6,222	15,396
Fund Balance - January 1	269,732	100,972	160,427		112,327	34,662	25,376	59,790
Fund Balance - December 31	298,643	133,425	159,392	-0-	129,702	89,371	31,598	75,186

Capital Projects Funds			Total Nonmajor Governmental Funds
Culture & Rec Capital Fund	Building and Equipment Capital Fund	Streets Capital Fund	
			147,305
			2,000
44,170	2,940		47,110
2,088	3,567	752	15,453
			2,348
			176,531
			1,334
			233,764
46,258	6,507	752	625,845
			64,879
95,698	40,950	103,591	240,239
			2,345
			133,758
			485,000
			344,456
95,698	40,950	103,591	1,270,677
(49,440)	(34,443)	(102,839)	(644,832)
32,500	199,070	90,000	941,211
(69,970)			(77,470)
(37,470)	199,070	90,000	863,741
(86,910)	164,627	(12,839)	218,909
192,669	276,382	88,501	1,320,838
105,759	441,009	75,662	1,539,747

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GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2023

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and Investments	629,983	625,826
Restricted Cash	157,358	150,519
Receivables:		
Accounts	81,791	289,541
Special Assessments	20,111	18,660
Special Assessments-Delinquent	4,111	4,813
Taxes-Delinquent	30,530	42,424
Due From Other Funds		136,918
Total Assets	<u>923,884</u>	<u>1,268,701</u>
 <u>Liabilities, Deferred Inflows of</u> <u>Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	18,069	24,809
Accrued Salaries and Payroll Deductions	9,536	6,431
Due To Other Funds	32,515	96,583
Total Liabilities	<u>60,120</u>	<u>127,823</u>
 <u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Taxes/Special Assessments	44,579	45,827
 <u>Fund Balances</u>		
Committed	1,046,489	943,090
Assigned	4,466	10,819
Unassigned	(231,770)	141,142
Total Fund Balance	<u>819,185</u>	<u>1,095,051</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>923,884</u>	<u>1,268,701</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
General Property Taxes	544,815	546,336	1,521	457,128
Licenses and Permits	5,300	10,050	4,750	9,113
<u>Federal Aid</u>				
FEMA Grant		161,373	161,373	211,140
Total Federal Aid	-0-	161,373	161,373	211,140
<u>State Aid</u>				
Fire State Aid	20,000	22,913	2,913	21,486
Local Government Aid	764,562	772,417	7,855	759,077
Other State Aid	2,000	225,313	223,313	188,212
Total State Aid	786,562	1,020,643	234,081	968,775
<u>Other Intergovernmental Revenues</u>				
County Road Maintenance	6,003	6,003		6,003
Township Fire Contracts	59,350	146,408	87,058	40,606
Total Other Intergovernmental Revenues	65,353	152,411	87,058	46,609
<u>Charges for Services</u>				
Camping Fees	9,000	7,591	(1,409)	9,325
City Hall Rent	4,000	4,208	208	4,259
Franchise Fees	40,000	37,609	(2,391)	37,175
Other Services	7,850	5,395	(2,455)	5,970
Red Cross Instruction Fees	5,000	7,715	2,715	7,105
Swimming Pool Fees	25,000	31,492	6,492	28,259
Utility Billing Service	15,000	14,869	(131)	13,774
Total Charges for Services	105,850	108,879	3,029	105,867
<u>Fines and Forfeits</u>	4,000	5,020	1,020	3,603
<u>Miscellaneous Revenues</u>				
Donations	500		(500)	
Interest	53,000	29,888	(23,112)	14,210
Refunds and Reimbursements	218,800	277,330	58,530	502,864
Total Miscellaneous Revenues	272,300	307,218	34,918	517,074
Total Revenues	1,784,180	2,311,930	527,750	2,319,309

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	<u>Actual</u>
<u>Mayor and Council</u>				
Employee Benefits	1,440	1,296	144	1,301
Employee Relations	650	400	250	386
Insurance	900	857	43	846
Office and Miscellaneous Supplies	500	182	318	866
Publications	5,000	4,995	5	5,609
Salaries	16,200	16,200		16,200
Travel and Conferences	500		500	
Total Mayor and Council	25,190	23,930	1,260	25,208
<u>City Attorney</u>				
Legal and Professional Fees	26,000	24,000	2,000	27,468
<u>City Hall</u>				
Building Repair Supplies	350	30	320	59
Capital Outlay	1,500	314,895	(313,395)	90,080
Cleaning and Office Supplies	2,300	2,378	(78)	687
Cleaning Contract	12,000	12,120	(120)	12,060
Contracted Services	14,000	12,574	1,426	27,836
Insurance	7,730	8,341	(611)	7,158
Licenses, Taxes, & Refunds		345	(345)	345
Utilities	15,500	13,342	2,158	12,794
Total City Hall	53,380	364,025	(310,645)	151,019
<u>Civil Defense</u>				
Capital Outlay		13,100	(13,100)	5,713
Contracted Services		30,035	(30,035)	143,054
Employee Benefits				99
Fuel				1,075
Repairs and Maintenance				9,657
Salaries				28,612
Supplies		85	(85)	999
Tools				7,602
Travel				911
Total Civil Defense	-0-	43,220	(43,220)	197,722

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>City Administrator</u>				
Advertising	2,000	1,718	282	1,053
Billing Service	15,000	14,434	566	17,856
Capital Outlay	4,000	6,628	(2,628)	3,976
Contracted Services	21,000	21,018	(18)	13,766
Employee Benefits	83,538	93,806	(10,268)	78,983
Insurance	5,750	6,825	(1,075)	8,962
Legal and Professional Services	53,285	57,140	(3,855)	22,403
Licenses, Taxes, & Refunds	500	444	56	411
Office Supplies	4,500	2,794	1,706	4,424
Postage	3,000	3,105	(105)	1,634
Publications	3,000	2,321	679	3,936
Salaries	230,489	240,898	(10,409)	215,563
Telephone	2,500	2,102	398	2,337
Travel and Conferences	2,500	3,656	(1,156)	1,516
Utilities	4,120	3,676	444	3,315
Uniform Allowances	750	750		750
Total City Administrator	435,932	461,315	(25,383)	380,885
 <u>Elections</u>				
Salaries				2,129
Supplies	1,500	672	828	1,480
Total Elections	1,500	672	828	3,609
 <u>Environmental</u>				
Capital Outlay	1,100		1,100	
Contracted Services	8,500	2,557	5,943	1,248
Insurance	200	190	10	106
Publications				189
Supplies	10,000	11	9,989	7,804
Utilities	1,500		1,500	35
Total Environmental	21,300	2,758	18,542	9,382

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Expenditures - continued</u>				
Public Safety				
Police Protection				
Capital Outlay		2,699	(2,699)	
Contracted Services	275,737	275,670	67	257,132
Supplies				544
Total Police Protection	<u>275,737</u>	<u>278,369</u>	<u>(2,632)</u>	<u>257,676</u>
 <u>Fire Department</u>				
Capital Outlay				228,805
Contracted Services	2,000	524	1,476	620
Employee Benefits	8,640	7,673	967	7,435
Fuel and Supplies	34,250	134,654	(100,404)	35,582
Insurance	3,100	3,092	8	2,818
Legal and Professional	3,000	4,090	(1,090)	4,643
Office Supplies	250		250	110
Physicals		1,729	(1,729)	1,251
Salaries	42,000	48,039	(6,039)	35,441
Telephone	700	526	174	534
Training	6,000	3,020	2,980	9,816
Travel and Conferences	500	3,644	(3,144)	379
Utilities	<u>13,000</u>	<u>12,181</u>	<u>819</u>	<u>12,605</u>
Total Fire Department	<u>113,440</u>	<u>219,172</u>	<u>(105,732)</u>	<u>340,039</u>
Total Public Safety	<u>389,177</u>	<u>497,541</u>	<u>(108,364)</u>	<u>597,715</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Street Department</u>				
Cable Television	60		60	
Contracted Services	17,500	14,485	3,015	15,330
Dues				155
Employee Benefits	63,857	70,677	(6,820)	50,462
Insurance	11,805	12,604	(799)	10,973
Interest	4,000	1,613	2,387	2,875
Licenses, Tax, and Refunds	200		200	208
Office Supplies	1,350	1,845	(495)	927
Physicals	50		50	
Publications	250	152	98	859
Rent	1,750	1,750		1,750
Salaries	103,857	111,305	(7,448)	92,151
Street Maintenance Supplies	7,100	7,432	(332)	3,393
Supplies	31,850	28,631	3,219	36,059
Telephone	750	732	18	722
Training	3,500	1,320	2,180	3,664
Utilities	36,850	19,105	17,745	35,848
Total Street Department	284,729	271,651	13,078	255,376
<u>Library</u>				
Capital Outlay	5,000	17,303	(12,303)	4,725
Contracted Services	14,600	26,281	(11,681)	18,512
Dues and Subscriptions	85,521	85,521		82,232
Insurance	3,930	4,247	(317)	3,628
Publications				20
Supplies	500	639	(139)	271
Telephone	2,000	2,150	(150)	2,153
Utilities	6,500	6,259	241	6,040
Total Library	118,051	142,400	(24,349)	117,581

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Expenditures - continued</u>				
<u>Annual Appropriations</u>				
Airport	7,000	7,000		7,000
Community Education	12,000	12,000		12,000
LQP Ag Society	4,000	4,000		3,500
Historical Society	250	250		250
HRA		(679)	679	170
SW MN Init. Fund	1,375	1,375		1,375
Transit System	10,500	10,564	(64)	9,326
Total Annual Appropriations	35,125	34,510	615	33,621
 <u>Planning and Zoning</u>				
Professional Services	14,000	5,500	8,500	11,717
Publications		47	(47)	66
Total Planning and Zoning	14,000	5,547	8,453	11,783
 <u>Parks and Recreation</u>				
Capital Outlay	2,500	17,665	(15,165)	4,556
Contracted Services	12,500	37,843	(25,343)	12,261
Employee Benefits	2,030	2,266	(236)	1,987
Insurance	8,585	10,165	(1,580)	7,921
Licenses and Taxes	300	131	169	216
Miscellaneous		621	(621)	
Publications	200	850	(650)	302
Refunds and Reimbursements		57	(57)	
Repairs and Maintenance		25	(25)	
Salaries	13,500	12,154	1,346	13,311
Supplies	10,500	9,063	1,437	7,298
Training				145
Utilities	16,500	18,532	(2,032)	16,542
Total Parks and Recreation	66,615	109,372	(42,757)	64,539

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	<u>Actual</u>
<u>Prairie Arts Center</u>				
Contracted Services				138
Insurance				2,940
Supplies				1,419
Telephone				339
Utilities				6,735
Total Prairie Arts Center	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,571</u>
<u>Grand Theater</u>				
Capital Outlay	4,500	5,804	(1,304)	
Contracted Services	2,000	2,353	(353)	
Insurance	3,700	3,975	(275)	3,404
Miscellaneous	1,500	1,097	403	1,107
Telephone	<u>1,250</u>	<u>783</u>	<u>467</u>	<u>1,043</u>
Total Grand Theater	<u>12,950</u>	<u>14,012</u>	<u>(1,062)</u>	<u>5,554</u>
<u>Skating Rink</u>				
Capital Outlay		1,822	(1,822)	
Contracted Services	350		350	113
Employee Benefits	1,101	1,085	16	515
Insurance	350	333	17	274
Publications	150	140	10	140
Salaries	6,000	9,852	(3,852)	3,233
Supplies	250	363	(113)	326
Telephone	900	1,679	(779)	1,001
Utilities	<u>3,000</u>	<u>2,731</u>	<u>269</u>	<u>2,689</u>
Total Skating Rink	<u>12,101</u>	<u>18,005</u>	<u>(5,904)</u>	<u>8,291</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Expenditures - continued</u>				
<u>Swimming Pool</u>				
Advertising	1,000	290	710	147
Capital Outlay	20,000	22,216	(2,216)	12,148
Contracted Services	8,600	3,748	4,852	10,044
Dues and Subscriptions	300	300		300
Employee Benefits	9,200	8,202	998	8,133
Insurance	5,730	6,149	(419)	5,284
Licenses, Taxes, Refunds	800	795	5	795
Other	100		100	
Publications	125	850	(725)	372
Salaries	55,000	52,218	2,782	53,868
Supplies	9,575	7,855	1,720	7,262
Telephone	2,000	1,036	964	1,189
Training	1,200	1,530	(330)	884
Utilities	19,500	21,611	(2,111)	19,818
Total Swimming Pool	133,130	126,800	6,330	120,244
<u>Unallocated Expenditures</u>				
Capital Outlay		300,715	(300,715)	116,963
Contracted Services	900	861	39	1,190
Other		2,080	(2,080)	974
Utilities	2,000	2,307	(307)	2,237
Total Unallocated Expenditures	2,900	305,963	(303,063)	121,364
Total Expenditures	1,632,080	2,445,721	(813,641)	2,142,932
Excess Revenues (Expenditures)	152,100	(133,791)	(285,891)	176,377
<u>Other Financing Sources (Uses)</u>				
Sale of Property		10,025	10,025	
Transfers In	102,000	102,000		196,000
Transfers Out	(254,100)	(254,100)		(195,000)
Total Other Financing Sources (Uses)	(152,100)	(142,075)	10,025	1,000
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	-0-	(275,866)	(275,866)	177,377
Fund Balance-January 1		1,095,051		917,674
Fund Balance December 31		819,185		1,095,051

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2023

	Ambulance Fund	Economic Development Fund	EDA Revolving Loan Fund	Small Cities Development Program Fund
<u>Assets</u>				
Cash	163,868	134,725	56,374	76,118
Accounts Receivable	138,313			
Special Assessments Receivable			411	
Notes Receivable			103,018	411,725
Total Assets	<u>302,181</u>	<u>134,725</u>	<u>159,803</u>	<u>487,843</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	3,538	1,300		
Total Liabilities	<u>3,538</u>	<u>1,300</u>	<u>-0-</u>	<u>-0-</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Notes				407,984
Unavailable Revenue-Taxes			411	
Total Deferred Inflows of Resource	<u>-0-</u>	<u>-0-</u>	<u>411</u>	<u>407,984</u>
<u>Fund Balances</u>				
Restricted				79,859
Committed	298,643	133,425	159,392	
Total Fund Balance	<u>298,643</u>	<u>133,425</u>	<u>159,392</u>	<u>79,859</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>302,181</u>	<u>134,725</u>	<u>159,803</u>	<u>487,843</u>

Small Cities Development Program 2017 Fund	Reserve Fund	Sewer System Replacement Fund	Total (Memo Only)	
			2023	2022
	374,684	129,702	935,471	819,288
	100,000		238,313	221,306
			411	412
			514,743	577,552
<u>-0-</u>	<u>474,684</u>	<u>129,702</u>	<u>1,688,938</u>	<u>1,618,558</u>
			4,838	6,084
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,838</u>	<u>6,084</u>
			407,984	447,889
			411	411
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>408,395</u>	<u>448,300</u>
			79,859	92,652
	474,684	129,702	1,195,846	1,071,522
<u>-0-</u>	<u>474,684</u>	<u>129,702</u>	<u>1,275,705</u>	<u>1,164,174</u>
<u>-0-</u>	<u>474,684</u>	<u>129,702</u>	<u>1,688,938</u>	<u>1,618,558</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Ambulance Fund</u>	<u>Economic Development Fund</u>	<u>EDA Revolving Loan Fund</u>	<u>Small Cities Development Program Fund</u>
<u>Revenues</u>				
Charges for Services	147,305			
County Aid	2,000			
Donations				
Federal Aid				
Interest Income	2,030	1,323	2,618	3,264
Loan Principal				46,909
Local Government Aid				
Lodging Tax		2,348		
Property Tax		11,258		
Refunds and Reimbursements	1,334			60
Special Assessments		46,250		
Total Revenues	<u>152,669</u>	<u>61,179</u>	<u>2,618</u>	<u>50,233</u>
<u>Expenditures</u>				
Operating Expenses	133,758	61,226	3,653	63,026
Total Expenditures	<u>133,758</u>	<u>61,226</u>	<u>3,653</u>	<u>63,026</u>
Excess Revenues (Expenditures)	18,911	(47)	(1,035)	(12,793)
<u>Other Financing Sources (Uses)</u>				
Transfer In	10,000	40,000		
Transfer Out		(7,500)		
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>32,500</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	28,911	32,453	(1,035)	(12,793)
Fund Balance-January 1	269,732	100,972	160,427	92,652
Fund Balance-December 31	<u><u>298,643</u></u>	<u><u>133,425</u></u>	<u><u>159,392</u></u>	<u><u>79,859</u></u>

Small Cities Development Program 2017 Fund	Reserve Fund	Sewer System Replacement Fund	Total (Memo Only)	
			2023	2022
			147,305	126,802
			2,000	1,000
	773		773	1,156
	422,332		422,332	2,223,782
	3,925	1,375	14,535	2,062
			46,909	32,892
	66,472		66,472	
			2,348	5,284
			11,258	8,208
			1,394	17,493
			46,250	39,392
-0-	493,502	1,375	761,576	2,458,071
	464,882		726,545	2,533,516
-0-	464,882	-0-	726,545	2,533,516
	28,620	1,375	35,031	(75,445)
	60,000	16,000	126,000	148,904
	(42,000)		(49,500)	(126,404)
-0-	18,000	16,000	76,500	22,500
	46,620	17,375	111,531	(52,945)
	428,064	112,327	1,164,174	1,217,119
-0-	474,684	129,702	1,275,705	1,164,174

AMBULANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022
	Budget	Actual	Variance with Final Budget	Actual
<u>Revenues</u>				
Charges for Services	125,000	147,305	22,305	126,802
County Aid	1,000	2,000	1,000	1,000
Donations	500		(500)	735
Interest Income		2,030	2,030	
Refunds and Reimbursements	1,000	1,334	334	1,344
Total Revenue	127,500	152,669	25,169	129,881
<u>Expenditures</u>				
Billing and Administration	6,500	8,418	(1,918)	6,888
Capital Outlay				6,950
Contracted Services	6,000	8,451	(2,451)	9,159
Dues and Subscriptions	200	696	(496)	14
Employee Benefits	16,900	17,916	(1,016)	17,123
Fuel	6,000	4,820	1,180	4,205
Insurance	3,700	3,347	353	3,168
Miscellaneous	500	819	(319)	1,524
Personnel Safety Equipment	400		400	
Professional Fees	500	400	100	400
Repairs and Maintenance	7,500	2,412	5,088	1,972
Salaries	68,000	70,383	(2,383)	64,535
Supplies	7,500	5,223	2,277	4,145
Telephone	1,350	1,278	72	1,344
Training	6,000	5,640	360	6,509
Travel and Conferences	750	705	45	400
Utilities	4,000	3,250	750	3,276
Total Expenditures	135,800	133,758	2,042	131,612
Excess Revenues (Expenditures)	(8,300)	18,911	27,211	(1,731)
<u>Other Financing Sources (Uses)</u>				
Transfer In	10,000	10,000		10,000
Total Other Financing Sources (Uses)	10,000	10,000	-0-	10,000
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	1,700	28,911	27,211	8,269
Fund Balance-January 1		269,732		261,463
Fund Balance-December 31		298,643		269,732

ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022
	<u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Interest Income		1,323	1,323	
Lodging Tax	3,500	2,348	(1,152)	5,284
Property Tax	11,198	11,258	60	8,208
Special Assessments	46,250	46,250		39,000
Total Revenues	60,948	61,179	231	52,492
<u>Expenditures</u>				
Advertising	5,000	3,605	1,395	5,910
Contracted Services	10,000	5,378	4,622	21,320
Insurance	300	595	(295)	347
Licenses and Taxes	1,500	1,031	469	1,019
Miscellaneous	61,858	44,369	17,489	18,941
Professional Services	200	295	(95)	200
Publications	1,000	1,115	(115)	878
Salary	3,000	4,000	(1,000)	4,000
Supplies	500	838	(338)	163
Training	1,000		1,000	
Total Expenditures	84,358	61,226	23,132	52,778
Excess Revenues (Expenditures)	(23,410)	(47)	23,363	(286)
<u>Other Financing Sources (Uses)</u>				
Transfer Out	(7,500)	(7,500)		(12,500)
Transfer In	40,000	40,000		40,000
Total Other Financing Sources (Uses)	32,500	32,500	-0-	27,500
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	9,090	32,453	23,363	27,214
Fund Balance-January 1		100,972		73,758
Fund Balance-December 31		133,425		100,972

EDA REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Interest Income		2,618	2,618	563
Special Assessments				392
Total Revenues	<u>-0-</u>	<u>2,618</u>	<u>2,618</u>	<u>955</u>
<u>Expenditures</u>				
Forgivable Portion of Loan		3,453	(3,453)	
Professional Services		200	(200)	200
Total Expenditures	<u>-0-</u>	<u>3,653</u>	<u>(3,653)</u>	<u>200</u>
Excess Revenues (Expenditures)	<u>-0-</u>	<u>(1,035)</u>	<u>(1,035)</u>	755
Fund Balance-January 1		<u>160,427</u>		<u>159,672</u>
Fund Balance-December 31		<u>159,392</u>		<u>160,427</u>

SMALL CITIES DEVELOPMENT PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Interest Income	1,000	3,264	2,264	1,460
Loan Principal	17,500	46,909	29,409	32,457
Refunds and Reimbursements		60	60	16,149
Total Revenue	<u>18,500</u>	<u>50,233</u>	<u>31,733</u>	<u>50,066</u>
<u>Expenditures</u>				
Auditing		500	(500)	1,000
Contracted Services		62,526	(62,526)	6,808
Total Expenditures	<u>-0-</u>	<u>63,026</u>	<u>(63,026)</u>	<u>7,808</u>
Excess Revenues (Expenditures)	18,500	(12,793)	(31,293)	42,258
<u>Other Financing Sources (Uses)</u>				
Transfer In				23,904
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>23,904</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>18,500</u>	<u>(12,793)</u>	<u>(31,293)</u>	66,162
Fund Balance-January 1		92,652		26,490
Fund Balance-December 31		<u>79,859</u>		<u>92,652</u>

SMALL CITIES DEVELOPMENT PROGRAM 2017 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Interest Income				39
Loan Principal				435
Total Revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>474</u>
<u>Expenditures</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues (Expenditures)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	474
<u>Other Financing Sources (Uses)</u>				
Transfer Out				(23,904)
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(23,904)</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>-0-</u>		<u>-0-</u>	(23,430)
Fund Balance-January 1				23,430
Fund Balance-December 31		<u>-0-</u>		<u>-0-</u>

RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Donations		773	773	421
Federal Aid		422,332	422,332	2,223,782
Interest Income		3,925	3,925	
Local Government Aid		66,472	66,472	
Refunds and Reimbursements	100,000		(100,000)	
Total Revenue	100,000	493,502	393,502	2,224,203
<u>Expenditures</u>				
Professional Services		450,632	(450,632)	2,138,868
Refunds				200,000
Repairs and Maintenance		14,250	(14,250)	2,250
Total Expenditures	-0-	464,882	(464,882)	2,341,118
Excess Revenues (Expenditures)	100,000	28,620	(71,380)	(116,915)
<u>Other Financing Sources (Uses)</u>				
Transfers In	60,000	60,000		60,000
Transfers Out	(42,000)	(42,000)		(90,000)
Total Other Financing Sources (Uses)	18,000	18,000	-0-	(30,000)
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	118,000	46,620	(71,380)	(146,915)
Fund Balance-January 1		428,064		574,979
Fund Balance-December 31		474,684		428,064

SEWER SYSTEM REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Interest Income		1,375	1,375	
Total Revenue	-0-	1,375	1,375	-0-
<u>Expenditures</u>				
Total Expenditures	-0-	-0-	-0-	-0-
Excess Revenues (Expenditures)	-0-	1,375	1,375	-0-
<u>Other Financing Sources (Uses)</u>				
Transfers In	16,000	16,000		15,000
Total Other Financing Sources (Uses)	16,000	16,000	-0-	15,000
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	16,000	17,375	1,375	15,000
Fund Balance-January 1		112,327		97,327
Fund Balance-December 31		129,702		112,327

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DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2023

	2016 G.O. Refunding/ Water Rev Fund	Infrastructure Replacement Project Fund	2015 G.O. Refunding Fund	Total	
				2023	2022
<u>Assets</u>					
Cash	31,598	89,230	73,116	193,944	114,807
Receivables:					
Special Assessments		57,530	249,499	307,029	313,415
Special Assessments-Delinquent			7,633	7,633	10,837
Total Assets	<u>31,598</u>	<u>146,760</u>	<u>330,248</u>	<u>508,606</u>	<u>439,059</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
<u>Liabilities</u>					
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue-Taxes		57,389	255,062	312,451	319,231
<u>Fund Balances</u>					
Restricted	<u>31,598</u>	<u>89,371</u>	<u>75,186</u>	<u>196,155</u>	<u>119,828</u>
Total Fund Balance	<u>31,598</u>	<u>89,371</u>	<u>75,186</u>	<u>196,155</u>	<u>119,828</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>31,598</u>	<u>146,760</u>	<u>330,248</u>	<u>508,606</u>	<u>439,059</u>

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2016 G.O. Refunding/ Water Rev Fund	Infrastructure Replacement Project Fund	2015 G.O. Refunding Fund	Total	
				2023	2022
<u>Revenues</u>					
Interest Income		963	737	1,700	
Property Tax		87,829	77,444	165,273	152,558
Special Assessments		51,040	136,474	187,514	166,434
Total Revenues	-0-	139,832	214,655	354,487	318,992
<u>Expenditures</u>					
Interest	20,613	120,348	203,495	344,456	357,520
Principal	120,000	190,000	175,000	485,000	470,000
Professional Services	775	775	795	2,345	2,345
Total Expenditures	141,388	311,123	379,290	831,801	829,865
Excess Revenues (Expenditures)	(141,388)	(171,291)	(164,635)	(477,314)	(510,873)
<u>Other Financing Sources (Uses)</u>					
Transfers In	147,610	226,000	180,031	553,641	556,422
Total Other Financing Sources (Uses)	147,610	226,000	180,031	553,641	556,422
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	6,222	54,709	15,396	76,327	45,549
Fund Balance-January 1	25,376	34,662	59,790	119,828	74,279
Fund Balance-December 31	31,598	89,371	75,186	196,155	119,828

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2023

	Culture & Rec Capital Fund	Building and Equipment Capital Fund	Streets Capital Fund	Utility Extension Project Fund	Total	
					2023	2022
<u>Assets</u>						
Cash	105,782	441,148	75,662		622,592	557,672
Total Assets	105,782	441,148	75,662	-0-	622,592	557,672
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	23	139		627,731	627,893	35,447
Due to other Funds				1,215,485	1,215,485	77,251
Total Liabilities	23	139	-0-	1,843,216	1,843,378	112,698
<u>Fund Balance</u>						
Restricted	105,759	441,009	75,662		622,430	557,552
Unassigned				(1,843,216)	(1,843,216)	(112,578)
Total Fund Balance	105,759	441,009	75,662	(1,843,216)	(1,220,786)	444,974
Total Liabilities, Deferred Inflows of Resources and Fund Balance	105,782	441,148	75,662	-0-	622,592	557,672

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	Culture & Rec Capital Fund	Building and Equipment Capital Fund	Streets Capital Fund	Utility Extension Project Fund	Total	
					2023	2022
<u>Revenues</u>						
Donations	44,170	2,940			47,110	37,763
Interest Income	2,088	3,567	752		6,407	
Total Revenue	46,258	6,507	752	-0-	53,517	37,763
<u>Expenditures</u>						
Capital Outlay	48,680	38,920	103,591	1,730,638	1,921,829	318,931
Contracted Services	47,018	2,030			49,048	11,717
Total Expenditures	95,698	40,950	103,591	1,730,638	1,970,877	330,648
Excess Revenues (Expenditures)	(49,440)	(34,443)	(102,839)	(1,730,638)	(1,917,360)	(292,885)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	(69,970)				(69,970)	(4,068)
Transfers In	32,500	199,070	90,000		321,570	281,568
Total Other Financing Sources (Uses)	(37,470)	199,070	90,000	-0-	251,600	277,500
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(86,910)	164,627	(12,839)	(1,730,638)	(1,665,760)	(15,385)
Fund Balance-January 1	192,669	276,382	88,501	(112,578)	444,974	460,359
Fund Balance-December 31	105,759	441,009	75,662	(1,843,216)	(1,220,786)	444,974

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2023

	<u>Storm Sewer</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>
<u>Assets</u>			
Cash and Investments	133,988	1,279,888	
Receivables:			
Accounts	18,672	146,034	64,812
Special Assessments			
Due From Other Funds		1,411,631	
Inventory		76,904	51,180
Prepaid Items		6,603	3,294
Buildings	9,500	254,711	2,211,778
Equipment	10,075	1,592,541	5,246,242
Vehicles			49,782
Storm Sewer Improvements	3,509,331		
Land		71,853	21,944
Accumulated Depreciation	(1,426,079)	(1,050,756)	(3,170,117)
Related to Pensions		38,718	17,903
Total Assets	<u>2,255,487</u>	<u>3,828,127</u>	<u>4,496,818</u>
<u>Liabilities and Fund Equity</u>			
<u>Liabilities</u>			
Accounts Payable	42	80,929	4,975
Accrued Wages and Payroll Taxes		5,168	2,357
Accrued Interest Payable			
Compensated Absences Payable		10,515	6,099
Customer Deposits		18,300	
Unearned Revenue-Special Assessments			
Due to Other Funds			163,631
Pension Benefits Payable		136,473	63,104
Related to Pensions		48,315	22,340
Bonds Payable			
Total Liabilities	<u>42</u>	<u>299,700</u>	<u>262,506</u>
<u>Total Equity</u>			
Contributed Capital	1,239,596		
Retained Earnings			
Reserved		1,500,000	
Unreserved, Designated	342,027	809,178	557,649
Unreserved, Undesignated	673,822	1,219,249	3,676,663
Total Fund Equity	<u>2,255,445</u>	<u>3,528,427</u>	<u>4,234,312</u>
Total Liabilities and Fund Equity	<u>2,255,487</u>	<u>3,828,127</u>	<u>4,496,818</u>

Sewer Fund	Sanitation Fund	Liquor Fund	Apartments Fund	Total	
				2023	2022
108,130	133,576	136,815	235,474	2,027,871	3,669,301
56,556	28,726		18,530	333,330	260,062
15,458				15,458	
				1,411,631	96,583
		47,722		175,806	142,132
4,960		1,123	17,158	33,138	29,957
7,003,456	9,500	48,829	1,302,051	10,839,825	10,528,771
3,624,878	45,305	53,305	105,663	10,678,009	10,316,948
				49,782	49,782
				3,509,331	3,509,331
				93,797	93,797
(3,839,717)	(50,522)	(87,781)	(975,193)	(10,600,165)	(10,019,158)
15,657		6,145		78,423	127,589
<u>6,989,378</u>	<u>166,585</u>	<u>206,158</u>	<u>703,683</u>	<u>18,646,236</u>	<u>18,805,095</u>
5,868	18,316	10,470	123	120,723	74,798
2,358		1,592		11,475	7,235
3,021			7,047	10,068	3,895
6,099		232		22,945	17,884
			13,445	31,745	28,965
15,458				15,458	
				163,631	59,667
55,188		21,660		276,425	404,860
19,538		7,668		97,861	5,905
829,000			335,000	1,164,000	943,000
<u>936,530</u>	<u>18,316</u>	<u>41,622</u>	<u>355,615</u>	<u>1,914,331</u>	<u>1,546,209</u>
67,994				1,307,590	1,307,590
				1,500,000	1,500,000
433,819	49,770	108,040	178,837	2,479,320	2,264,241
5,551,035	98,499	56,496	169,231	11,444,995	12,187,055
<u>6,052,848</u>	<u>148,269</u>	<u>164,536</u>	<u>348,068</u>	<u>16,731,905</u>	<u>17,258,886</u>
<u>6,989,378</u>	<u>166,585</u>	<u>206,158</u>	<u>703,683</u>	<u>18,646,236</u>	<u>18,805,095</u>

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Storm Sewer Fund	Electric Fund	Water Fund
<u>Revenues</u>			
Sales and Charges for Services	163,038	1,623,025	697,268
Total Revenues	<u>163,038</u>	<u>1,623,025</u>	<u>697,268</u>
<u>Expenses</u>			
Advertising			
Assessments	12,240		
Billing and Administration	22,293	76,801	37,866
Capital Outlay	1,932	148,686	80,855
Chemicals			44,559
Contracted Services		8,386	89,034
Cost of Sales		839,542	
Depreciation	88,134	68,744	183,350
Dues and Subscriptions		5,127	200
Employee Benefits		72,709	38,453
Fuel		4,708	1,792
Insurance		20,286	9,894
License and Taxes	180		699
Miscellaneous		2,510	
Office Supplies		754	1,584
Personnel Safety Equipment		1,496	892
Professional Services	500	34,732	17,678
Publications		2,048	1,388
Repair and Maintenance		13,737	511
Salaries		208,589	86,198
Supplies	87	6,348	4,335
Telephone		2,648	2,510
Training		1,324	1,573
Travel		625	190
Utilities	271	9,008	35,594
Total Operating Expenses	<u>125,637</u>	<u>1,528,808</u>	<u>639,155</u>
Net Income (Loss) From Operations	37,401	94,217	58,113
<u>Non-Operating Revenues (Expenses)</u>			
Interest Expense		(180)	
Interest Income	2,191	26,622	453
Sale of Property		(13,826)	
Transfers Out	(124,186)	(100,000)	(307,108)
Total Non-Operating Revenues (Expenses)	<u>(121,995)</u>	<u>(87,384)</u>	<u>(306,655)</u>
Net Income (Loss)	(84,594)	6,833	(248,542)
Retained Earnings-January 1	2,340,039	3,521,594	4,482,854
Retained Earnings-December 31	<u>2,255,445</u>	<u>3,528,427</u>	<u>4,234,312</u>

Sewer Fund	Sanitation Fund	Liquor Fund	Apartments Fund	Total	
				2023	2022
534,486	296,422	526,182	202,893	4,043,314	3,683,793
534,486	296,422	526,182	202,893	4,043,314	3,683,793
262		4,480		4,742	4,259
				12,240	
37,866	33,975			208,801	157,849
17,725	5,879	4,296		259,373	79,706
9,410				53,969	68,045
162,443	136,777	205	42,630	439,475	264,771
	69,987	384,734		1,294,263	1,115,189
233,539	244	1,520	31,193	606,724	631,988
200		961		6,488	6,911
44,227		11,097		166,486	164,174
3,424				9,924	12,011
16,293		1,786	17,129	65,388	58,168
1,932			8,936	11,747	11,938
9,958	2,903		1,011	16,382	11,910
1,947				4,285	1,665
668				3,056	2,910
5,436	800	10,278	800	70,224	28,943
				3,436	4,958
1,602			18,123	33,973	24,100
91,328		56,163		442,278	405,084
661		1,849		13,280	7,897
2,029		526		7,713	6,161
1,575				4,472	13,951
1,183				1,998	1,478
55,406		7,137	415	107,831	104,151
699,114	250,565	485,032	120,237	3,848,548	3,188,217
(164,628)	45,857	41,150	82,656	194,766	495,576
(8,506)			(7,233)	(15,919)	(10,897)
2,482	1,667	1,599	2,625	37,639	2,875
				(13,826)	
(138,347)	(40,000)	(20,000)		(729,641)	(857,422)
(144,371)	(38,333)	(18,401)	(4,608)	(721,747)	(865,444)
(308,999)	7,524	22,749	78,048	(526,981)	(369,868)
6,361,847	140,745	141,787	270,020	17,258,886	17,628,754
6,052,848	148,269	164,536	348,068	16,731,905	17,258,886

STORM SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
Commercial Sales	33,399	30,838
Parks Sales	4,387	3,079
Penalties and Interest	318	267
Refunds and Reimbursements	2,260	
Residential Sales	115,895	110,322
School Sales	6,779	6,851
Total Operating Revenues	163,038	151,357
<u>Operating Expenses</u>		
Assessments	12,240	
Billing and Administration	22,293	17,091
Capital Outlay	1,932	1,715
Depreciation	88,134	88,134
Licenses and Taxes	180	376
Professional Services	500	595
Supplies	87	107
Utilities	271	216
Total Operating Expenses	125,637	108,234
Net Income (Loss) From Operations	37,401	43,123
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	2,191	
Transfer Out	(124,186)	(122,088)
Total Non-Operating Revenues (Expenses)	(121,995)	(122,088)
Net Income (Loss)	(84,594)	(78,965)
Retained Earnings-January 1	2,340,039	2,419,004
Retained Earnings-December 31	2,255,445	2,340,039

ELECTRIC FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
City	63,827	79,132
Commercial Sales	749,843	619,412
Other Charges and Penalties	6,241	4,168
Refunds and Reimbursements	10,317	(7,000)
Residential Sales	792,797	748,868
Total Operating Revenues	1,623,025	1,444,580
<u>Operating Expenses</u>		
Billing and Administration	76,801	60,527
Contracted Services	8,386	30,344
Depreciation	68,744	75,895
Dues and Subscriptions	5,127	5,120
Employee Benefits	72,709	69,800
Fuel	4,708	5,062
Insurance	20,286	18,042
Licenses and Taxes		96
Miscellaneous	2,510	1,998
Office Supplies	754	558
Personnel Safety Equipment	1,496	2,161
Power and Wheeling	839,542	692,653
Professional Services	34,732	8,823
Property Maintenance	148,686	46,969
Publications	2,048	2,964
Repair and Maintenance	13,737	2,727
Salaries	208,589	191,475
Supplies	6,348	5,066
Telephone	2,648	2,004
Training	1,324	6,659
Travel	625	873
Utilities	9,008	9,126
Total Operating Expenses	1,528,808	1,238,942
Net Income (Loss) From Operations	94,217	205,638
<u>Non-Operating Revenues (Expenses)</u>		
Interest Expense	(180)	(107)
Interest Income	26,622	2,875
Sale of Property	(13,826)	
Transfers Out	(100,000)	(226,000)
Total Non-Operating Revenue (Expenses)	(87,384)	(223,232)
Net Income (Loss)	6,833	(17,594)
Retained Earnings-January 1	3,521,594	3,539,188
Retained Earnings-December 31	3,528,427	3,521,594

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
Charges for Services	695,773	621,899
Penalties and Interest	1,495	932
Refunds		55
Total Operating Revenues	697,268	622,886
<u>Operating Expenses</u>		
Billing and Administration	37,866	27,433
Chemicals	44,559	62,998
Contracted Services	89,034	25,064
Depreciation	183,350	185,357
Dues and Subscriptions	200	200
Employee Benefits	38,453	40,022
Fuel	1,792	2,372
Insurance	9,894	8,416
License and Taxes	699	948
Office Supplies	1,584	456
Personnel Safety Equipment	892	459
Professional Services	17,678	4,922
Publications	1,388	1,994
Repair and Maintenance	511	811
Salaries	86,198	84,259
Small Equipment	80,855	22,787
Supplies	4,335	1,694
Telephone	2,510	2,062
Training	1,573	4,233
Travel	190	171
Utilities	35,594	35,902
Total Operating Expenses	639,155	512,560
Net Income (Loss) From Operations	58,113	110,326
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	453	
Transfers Out	(307,108)	(307,170)
Total Non-Operating Revenues (Expenses)	(306,655)	(307,170)
Net Income (Loss)	(248,542)	(196,844)
Retained Earnings-January 1	4,482,854	4,679,698
Retained Earnings-December 31	4,234,312	4,482,854

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
City	4,916	4,399
Commercial Sales	123,129	115,860
Other Charges	525	
Penalties and Interest	1,242	801
Refunds	5,275	4,728
Residential Sales	399,399	357,892
Total Operating Revenues	<u>534,486</u>	<u>483,680</u>
<u>Operating Expenses</u>		
Advertising	262	198
Billing and Administration	37,866	27,433
Capital Outlay	17,725	2,663
Chemicals	9,410	5,047
Contracted Services	162,443	69,755
Depreciation	233,539	232,130
Dues	200	580
Employee Benefits	44,227	40,245
Fuel	3,424	4,577
Insurance	16,293	13,925
License and Taxes	1,932	2,070
Miscellaneous	9,958	7,402
Office Supplies	1,947	651
Personal Safety Equipment	668	290
Professional Services	5,436	3,913
Repair and Maintenance	1,602	306
Salaries	91,328	74,465
Supplies	661	194
Telephone	2,029	1,561
Training	1,575	3,059
Travel	1,183	434
Utilities	55,406	51,085
Total Operating Expenses	<u>699,114</u>	<u>541,983</u>
Net Income (Loss) From Operations	(164,628)	(58,303)
<u>Non-Operating Revenues (Expenses)</u>		
Interest Expense	(8,506)	(8,840)
Interest Income	2,482	
Transfer Out	(138,347)	(142,164)
Total Non-Operating Revenues (Expenses)	<u>(144,371)</u>	<u>(151,004)</u>
Net Income (Loss)	(308,999)	(209,307)
Retained Earnings-January 1	6,361,847	6,571,154
Retained Earnings-December 31	<u>6,052,848</u>	<u>6,361,847</u>

SANITATION FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
City Sales to Other Funds	6,349	7,761
Commercial Sales	133,603	117,566
Penalties and Interest	387	363
Residential Sales	149,516	148,494
Residential Tag Sales	134	116
Special Pickups and Miscellaneous Sales	6,433	5,924
Total Operating Revenues	<u>296,422</u>	<u>280,224</u>
 <u>Operating Expenses</u>		
Billing and Administration	33,975	25,365
Capital Outlay	5,879	
Contracted Services	136,777	124,158
Depreciation	244	244
Disposal	69,987	67,269
Miscellaneous	2,903	1,854
Professional Services	800	800
Total Operating Expenses	<u>250,565</u>	<u>219,690</u>
 Net Income (Loss) From Operations	 45,857	 60,534
 <u>Non-Operating Revenues (Expenses)</u>		
Interest Income	1,667	
Transfers Out	(40,000)	(40,000)
Total Non-Operating Revenues (Expenses)	<u>(38,333)</u>	<u>(40,000)</u>
 Net Income (Loss)	 7,524	 20,534
Retained Earnings-January 1	140,745	120,211
Retained Earnings-December 31	<u>148,269</u>	<u>140,745</u>

LIQUOR FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
Mix, Ice, Etc.	10,984	10,982
Off Sale Beer	293,724	288,415
Off Sale Liquor	221,474	187,779
Total Operating Revenues	<u>526,182</u>	<u>487,176</u>
<u>Cost of Sales</u>		
Beginning Inventory	38,034	38,305
Purchases	391,645	352,783
Freight	2,777	2,213
Merchandise Available for Sale	<u>432,456</u>	<u>393,301</u>
Less: Ending Inventory	<u>47,722</u>	<u>38,034</u>
Total Cost of Sales	<u>384,734</u>	<u>355,267</u>
Gross Profit	141,448	131,909
<u>Operating Expenses</u>		
Advertising	4,480	4,061
Capital Outlay	4,296	2,107
Contracted Services	205	1,333
Depreciation	1,520	4,431
Dues and Subscriptions	961	1,011
Employee Benefits	11,097	14,107
Insurance	1,786	1,810
Professional Services	10,278	9,090
Salaries	56,163	54,885
Supplies	1,849	836
Telephone	526	534
Utilities	7,137	6,759
Total Operating Expenses	<u>100,298</u>	<u>100,964</u>
Net Income (Loss) From Operations	41,150	30,945
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	1,599	
Transfer Out	<u>(20,000)</u>	<u>(20,000)</u>
Total Non-Operating Revenues (Expenses)	<u>(18,401)</u>	<u>(20,000)</u>
Net Income (Loss)	22,749	10,945
Retained Earnings-January 1	141,787	130,842
Retained Earnings-December 31	<u>164,536</u>	<u>141,787</u>

APARTMENTS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Operating Revenues</u>	<u>2023</u>	<u>2022</u>
Rent Income	184,335	176,629
Refunds and Reimbursements	18,558	37,261
Total Operating Revenues	202,893	213,890
<u>Operating Expenses</u>		
Capital Outlay		3,465
Contracted Services	42,630	14,117
Depreciation	31,193	45,796
Insurance	17,129	15,975
Licenses & Taxes	8,936	8,449
Miscellaneous	1,011	656
Professional Services	800	800
Repairs and Maintenance	18,123	20,256
Utilities	415	1,063
Total Operating Expenses	120,237	110,577
Net Income (Loss) From Operations	82,656	103,313
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	2,625	
Interest Expense	(7,233)	(1,950)
Total Non-Operating Revenues (Expenses)	(4,608)	(1,950)
Net Income (Loss)	78,048	101,363
Retained Earnings-January 1	270,020	168,657
Retained Earnings-December 31	348,068	270,020

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WITH THE FIRM

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
Madison, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madison, Madison, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Madison, Minnesota's basic financial statements and have issued our report thereon dated June 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Madison, Madison, Minnesota's internal control over financial reporting (internal control) to determine the 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 of Madison, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Madison, Madison, Minnesota's internal control.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be material weaknesses (2023-I and 2023-II).

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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 that we did not test for compliance in Tax Increment Financing because that category is not applicable to the City of Madison, Madison, Minnesota.

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

City of Madison, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Madison, Madison, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Madison, Madison, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

June 14, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-I	Lack of segregation of duties.
Condition:	The City has limited personnel available to perform accounting duties.
Criteria:	Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.
Effect:	As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by separate individuals.
Recommendation:	The City should design internal controls to provide for proper segregation of duties.
Response:	This is not unusual in a City of this size. The City has studied the situation and found that it is economically infeasible to design the system of internal control to adequately provide for the segregation of duties. The Board will monitor personnel duties.
2023-II	Lack of expertise by City personnel to prepare financial statements in accordance with generally accepted accounting principles.
Condition:	The City personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles.
Criteria:	Internal controls should be in place that provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.
Effect:	City personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.
Recommendation:	The City should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles.
Response:	This is not unusual in a City of this size. It is economically infeasible for the City to provide the necessary training for personnel to acquire and maintain this expertise. The City will continue to have the auditing firm prepare the financial statements and will have a review of the statements with the auditor.