

**PRELIMINARY OFFICIAL STATEMENT April 16, 2024**

New Issue

S & P Global Ratings Underlying Rating: Requested

*In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, if the Bonds are issued as tax-exempt bonds, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Such interest is not included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. See "Taxability of Interest" herein.*

**\$3,225,000**

**City of Annandale, Minnesota**

**General Obligation Bonds, Series 2024A**

**PURPOSE/AUTHORITY:** The \$3,225,000 General Obligation Bonds, Series 2024A (the "Bonds") are issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475 to provide financing for the 2024 Street and Utility Reconstruction Projects (the "Project"). The Bonds will be general obligations of the City of Annandale, Minnesota (the "City") for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City pledges water, sanitary sewer, and storm sewer revenues from the City's utilities and special assessments.

**BID OPEN & AWARD:** Monday, May 13, 2024; Open 11:30 A.M. CST; Award 6:30 P.M. CST.

**DATED DATE:** May 30, 2024

**MATURITY:** The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$ 115,000	2033	\$ 140,000	2040	\$ 185,000
2027	120,000	2034	150,000	2041	190,000
2028	120,000	2035	155,000	2042	195,000
2029	130,000	2036	160,000	2043	205,000
2030	130,000	2037	165,000	2044	215,000
2031	135,000	2038	175,000	2045	225,000
2032	140,000	2039	175,000		

**INTEREST:** February 1, 2025, and each August 1 and February 1 thereafter.

**MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each.

**CALL DATE:** February 1, 2032

**MINIMUM BID:** \$3,181,462.50 (98.65%)

**TAX STATUS:** Tax-exempt; bank-qualified

**GOOD FAITH DEPOSIT:** \$64,500 payable to the City on May 13, 2024

**CLOSING/DELIVERY DATE:** On or about May 30, 2024

*The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota. This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.*

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this POS constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



**DDA**

David Drown Associates, Inc.  
Public Finance Advisors

Minneapolis Office:  
5029 Upton Avenue South  
Minneapolis, MN 55419-1126  
612-920-3320 (phone); 612-605-2375 (fax)  
www.daviddrown.com

## **COMPLIANCE WITH S.E.C. RULE 15C2-12**

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

## **PRELIMINARY OFFICIAL STATEMENT**

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Obligations to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

## **REVIEW PERIOD**

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

## **FINAL OFFICIAL STATEMENT**

Upon award of sale of the Obligations, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

## **REPRESENTATIONS**

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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## CITY OF ANNANDALE, MINNESOTA

### City of Annandale City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Shelly Jonas	Mayor	2024
Corey Czycalla	Council Member	2026
Tina Honsey	Council Member	2026
JT Grundy	Council Member	2024
Matthew Wuollet	Council Member	2024

### Administration

Kelly Hinnenkamp	City Administrator	Appointed
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### Bond Counsel

Taft Stettinius & Hollister, LLP  
Minneapolis, MN

### Municipal Advisor

David Drown Associates, Inc.  
Minneapolis, MN

## INTRODUCTORY SUMMARY OF THE PRELIMINARY OFFICIAL STATEMENT

*The following information is furnished solely to provide limited introductory information regarding the \$3,225,000 General Obligation Bonds, Series 2024A, of City of Annandale, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.*

Issuer: City of Annandale, Minnesota

Sale Date & Time: Monday, May 13, 2024, 11:30 A.M. Central

Award Date & Time: Monday, May 13, 2024; 6:30 P.M. Central

Dated Date: May 30, 2024

Interest Payments: February 1, 2025, and each August 1 and February 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the “Record Date”).

Principal Payments: February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$ 115,000	2033	\$ 140,000	2040	\$ 185,000
2027	120,000	2034	150,000	2041	190,000
2028	120,000	2035	155,000	2042	195,000
2029	130,000	2036	160,000	2043	205,000
2030	130,000	2037	165,000	2044	215,000
2031	135,000	2038	175,000	2045	225,000
2032	140,000	2039	175,000		

Rating: The City *has* requested a S & P Global Ratings rating on This Issue.

Maturity Adjustment: The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each.

Continuing Disclosure: Full continuing disclosure

Security: G.O. pledge of the full faith and credit of the City and pledge of water, sanitary sewer, storm sewer utility revenues, and special assessments.

Purpose: Proceeds will provide financing for the 2024 Street and Utility Reconstruction Projects.

Authority: Minnesota Statutes, Chapters 429, 444 and 475

Optional Redemption: Bonds are callable on February 1, 2032.

Tax Status: Tax-exempt, bank-qualified

Legal Opinion: Taft Stettinius & Hollister, LLP, Minneapolis, Minnesota

Municipal Advisor: David Drown Associates, Inc., Minneapolis, Minnesota

Closing/Delivery: On or about May 30, 2024.

*Questions regarding the Bonds or the Preliminary Official Statement can be directed to and additional copies of the Preliminary Official Statement and the City’s audited financial reports can be obtained from the City’s Municipal Advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612-920-3320).*

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## TERMS OF OFFERING

City of Annandale, Minnesota

\$3,225,000

General Obligation Bonds, Series 2024A

(BOOK ENTRY ONLY)

### TERMS OF PROPOSAL

Proposals for the Bonds will be received on Monday, May 13<sup>th</sup>, 2024 at 11:30 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 6:30 P.M., Central Time, on that same date.

### SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY<sup>®</sup>, in the manner described below, until 11:30 A.M., CST, on May 13, 2024. Bids may be submitted electronically via PARITY<sup>®</sup> pursuant to this Notice until 11:30 A.M., CST, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY<sup>®</sup> conflict with this Notice, the terms of this Notice shall control. For further information about PARITY<sup>®</sup>, potential bidders may contact David Drown Associates, Inc. or PARITY<sup>®</sup> at (212) 806-8304.

Neither the City of Annandale nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

### DETAILS OF THE BONDS

The Bonds will be dated May 30, 2024, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2025. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$ 115,000	2036	\$ 160,000
2027	120,000	2037	165,000
2028	120,000	2038	175,000
2029	130,000	2039	175,000
2030	130,000	2040	185,000
2031	135,000	2041	190,000
2032	140,000	2042	195,000
2033	140,000	2043	205,000
2034	150,000	2044	215,000
2035	155,000	2045	225,000

## **TERM BOND OPTION**

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

## **BOOK ENTRY SYSTEM**

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## **REGISTRAR**

The City will name US Bank Trust Company, National Association, St. Paul, MN, as registrar for the Bonds. US Bank Trust Company, National Association shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

## **OPTIONAL REDEMPTION**

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

## **SECURITY AND PURPOSE**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition to pledging tax levies, the City will pledge revenues from the water, sanitary sewer, and storm sewer utilities and special assessments. The proceeds will provide financing for the 2024 Street and Utility Reconstruction Projects.

## **TYPE OF PROPOSALS**

Proposals shall be for not less than \$3,181,462.50 (98.65%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$64,500 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.



## AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal which the City determines to have failed to comply with the terms herein.

## MATURITY ADJUSTMENTS

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

## ISSUE PRICE DETERMINATION

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

- i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- ii. all bidders shall have an equal opportunity to submit a bid;
- iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-

by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

### **BOND INSURANCE AT PURCHASER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser. Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

### **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

### **SETTLEMENT**

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

### **FULL CONTINUING DISCLOSURE**

On the date of the actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking where under the City will covenant to provide, or cause to be provided, annual financial and operating information, including audited financial statements of the City, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5).

### **OFFICIAL STATEMENT**

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 40 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: April 8, 2024

BY ORDER OF THE CITY COUNCIL

/s/ Kelly Hinnenkamp  
City Administrator

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# OFFICIAL STATEMENT

## CITY OF ANNANDALE, MINNESOTA

### \$3,225,000 GENERAL OBLIGATION BONDS, SERIES 2024A

#### INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of, \$3,225,000 General Obligation Bonds, Series 2024A (the “Bonds”) by City of Annandale, Minnesota (the “City”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Kelly Hinnenkamp, City Administrator, City of Annandale; PO Box K, City of Annandale, MN 55302 or by telephoning (320) 274-3055.

#### Full Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial and operating information about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The City has complied for the past five (5) years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. However, in the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that the City’s audited financial statements would be filed “as soon as available.” Although the City did not always comply with this requirement, the audited financial statements were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Additional information on Continuing Disclosure filings can be found in Appendix F of this document.

The City has no outstanding debt that has been or is going to be issued that has not been disclosed in this Official Statement. The City works with a dissemination agent.

#### Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475 to provide financing for the 2024 Street and Utility Reconstruction Projects.

#### Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ 3,225,000	Project Costs	\$ 3,095,402
Construction Fund Earnings	<u>4,890</u>	Underwriter's Discount (1.350%)	43,538
		Capitalized Interest	35,850
		Issuance & Legal	<u>55,100</u>
Totals	\$ 3,229,890		\$ 3,229,890

## Payment and Security

The Bonds are a general obligation of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. In addition, the City pledges water, sanitary sewer and storm sewer revenues from the City utilities as well as special assessments against benefitted properties.

## Optional Redemption

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

## Rating

The City has requested a rating on this Issue from S & P Global Ratings. The rating only reflects the view of the rating agency and any explanation of the significance of such rating may only be obtained from S & P Global Ratings. There is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## Taxability of Interest

At closing, Taft Stettinius & Hollister, LLP, Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation that may have a retroactive effect), regulations, rulings and decisions, to the following effect:

1. **Gross Income:** the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax;
2. **Alternative Minimum Tax:** interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.
3. **Compliance:** the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

## Other Federal Tax Considerations

**Property and Casualty Insurance Companies** Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

## **Risk Factors**

Following is a description of possible risks to holders of these Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes The Bonds of this offering are general obligations of the County, the ultimate payment of which rests in the County's ability to levy and collect sufficient taxes to pay debt service should other revenue (water or sewer revenues) be insufficient.

State Actions Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy property taxes.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.



Continuing Disclosure A failure by the City to comply with the Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

## COVID-19

In late 2019 a novel strain of coronavirus emerged. COVID-19, as it is known, was declared a worldwide pandemic on March 11, 2020, by the World Health Organization. The response of the United States government, state governments and local governments has been to implement social distancing orders in order to limit the spread of COVID-19.

On March 13, 2020, the Governor of the State of Minnesota (the "Governor") signed Emergency Executive Order 20-01, declaring a peacetime emergency due to the pandemic. This Executive Order was extended on April 13, 2020 and again on May 13, 2020. The Executive Order put in place and extended the stay-at-home order to continue the closing of bars, restaurants and other public gathering places and businesses. This is the "Stay Safe Order".

On April 23, 2020, the Governor signed Executive Order 20-41 directing the Distance Learning Period for Minnesota school students to be extended through the end of the 2019/20 school year. On April 30, the Governor signed Executive Order 20-48 which extended and modified the Stay Safe Order through May 17, 2020.

Effective May 18, Executive Order 20-55 encourages Minnesotans to stay close to home but allows gatherings of friends and family of 10 people or less, if proper social distancing measures—like staying six feet apart and wearing a mask—are taken. The order also further opens retail stores and other Main Street businesses if they have a preparedness plan and operate at 50 percent occupancy.

Executive Order 20-74 was signed on June 5, 2020 and outlines the guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 emergency. Effective as of June 10, 2020 the guidelines continue to lift restrictions that were identified in prior Executive Orders.

Executive Order 20-81 was signed on July 22, 2020. This Order requires people to wear a face covering in certain settings across Minnesota to prevent the spread of COVID-19. This EO is effective July 25, 2020 and rescinds paragraph 3 of Emergency EO 20-74 which recommended the wearing of face coverings and masks.

On November 10, 2020, Executive Order 20-96 was signed by the Minnesota governor. This EO outlines statewide regulations for social gatherings, celebrations and receptions, as well as entertainment/food/beverage venues.

On January 13, 2021, the Minnesota governor signed EO 21-04. This EO extends the Peacetime Emergency within the State of Minnesota through February 12, 2021.

The full impact of COVID-19 cannot be predicted by the City and they make no representations as to the impact on future financial positions and operations.

### **Details of Certain Terms**

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the month prior to the interest payment date (the "Record Date").

### **Original Issue Discount**

Original Issue Discount Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

### **Original Issue Premium**

Original Issue Premium Bonds ("Premium Bonds") may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Premium Bonds should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

### **Term Bond Option**

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

### **Maturity Adjustments**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.



## Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. “Qualified tax-exempt obligations” are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

## Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a “banking organization” within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York State Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Obligations, except in the event that use of the book entry system for the Obligations is discontinued or as an option upon the transfer of an entire maturity.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to

time. Beneficial Owners of the Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issue or Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

## Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

## Future Financing

The City currently has no plans for additional new general obligation bonds during the next twelve (12) months.

## Legality

The Bonds are subject to approval as to certain matters by Taft Stettinius & Hollister LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the Bonds, except for statements under "Taxability of Interest" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "Appendix B – PROPOSED FORM OF LEGAL OPINION," and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

### **Municipal Advisor**

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **Certification**

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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## VALUATIONS – COUNTY AUDITOR

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For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full County Auditor's Certificate from Wright County in Minnesota for taxes payable in 2023 found under Appendix A.

## TRENDS IN VALUATIONS

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### Trends in Valuations

<u>Year</u>	<u>Economic Market Value**</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2022/23	\$ 370,107,244	\$ 343,222,900	\$ 327,513,215	\$ 3,522,135
2021/22	322,307,298	288,785,600	271,561,700	2,990,510
2020/21	293,073,958	272,951,100	255,107,200	2,838,295
2019/20	272,383,786	254,238,300	236,308,900	2,678,854
2018/19	255,730,269	238,219,200	220,176,500	2,505,698
2017/18	238,387,519	225,145,500	207,266,200	2,382,732
2016/17	222,928,875	210,329,800	191,458,400	2,215,921
2015/16	208,458,573	201,497,700	182,111,400	2,054,091
2014/15	205,377,738	192,503,700	173,168,400	1,961,815
2013/14	194,028,639	180,946,600	160,315,100	1,832,338

## CASH AND INVESTMENTS

*(as of February 29, 2024)*

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<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 1,979,432
Special	3,829
Debt Service	(239,735)
Capital	3,280,237
Enterprise	<u>865,592</u>
Total	\$ 5,889,355

## CITY INDEBTEDNESS

(as of 03/01/2024)

### Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	\$ 10,296,687
Less: Outstanding Debt Subject to Limit	<u>546,000</u>
 Legal Debt Margin as of 03/01/2024	 \$ 9,750,687

### General Obligation Debt Supported by Tax Levies

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
04/01/2022	\$ 617,000	Equipment Certificate	02/01/2031	\$ <u>546,000</u>
Total				\$ 546,000

### General Obligation Debt Supported by Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/30/2024	\$ 1,485,000	Improvements Portion, This Issue	02/01/2045	\$ 1,485,000
08/01/2023	841,000	Improvements	02/01/2034	841,000
11/09/2020	400,000	Improvement Refunding	02/01/2036	307,000
11/04/2019	1,040,000	Improvement Refunding	02/01/2032	735,000
05/24/2011	1,217,500	Improvements	08/20/2031	<u>546,000</u>
Total				\$ 3,914,000

### General Obligation Debt Supported by Tax Increments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
08/20/2019	\$ 755,000	Taxable Tax Increment	02/01/2039	\$ <u>640,000</u>
Total				\$ 640,000

### General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/30/2024	\$ 1,740,000	Utility Revenue Portion, This Issue	02/01/2045	\$ 1,740,000
04/20/2023	2,880,000	Utility Revenue	02/01/2044	2,880,000
12/05/2022	253,362	Sewer Revenue	08/20/2052	252,000
12/05/2022	1,358,413	Water Revenue	08/20/2042	1,329,000
09/25/2015	125,359	Sewer Revenue	08/20/2035	80,000
08/27/2015	929,105	Water Revenue	08/20/2035	580,000
08/20/2008	16,036,613	Sewer Revenue	08/20/2026	<u>3,199,000</u>
Total				\$ 10,060,000

### Summary of Gross Direct Debt Including This Issue

	<u>Gross Debt</u>	<u>Less: Debt Funds</u>	<u>Net Direct Debt</u>
GO Debt Supported by Property Taxes	\$ 546,000	-	\$ 546,000
GO Debt Supported by Special Assessments	3,914,000	-	3,914,000
GO Debt Supported by Tax Increment	640,000	-	640,000
GO Debt Supported by Revenues	<u>10,060,000</u>	<u>-</u>	<u>10,060,000</u>
Total	\$ 15,160,000	-	\$ 15,160,000

### Overlapping Debt

<u>Taxing Unit *</u>	<u>2022/23 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Wright County	\$ 239,018,528	1.47%	\$ 133,535,000	\$ 1,967,748
Annandale ISD # 876	23,900,923	14.74%	17,060,000	<u>2,514,029</u>
Total				\$ 4,481,778

\* Includes only those jurisdictions with General Obligation debt outstanding and debt amounts as of 12/31/22.

### Debt Ratios

	<u>Net G.O. Debt</u>	<u>Debt/Economic Market Value</u>	<u>Debt per Capita</u>
		<u>\$ 370,107,244</u>	<u>3,330</u>
Net Direct G.O. Debt*	\$ 5,100,000	1.38%	\$ 1,532
Net Direct and Overlapping GO Debt	9,581,778	2.59%	2,877

\* Excludes G.O. Debt Supported by Revenues

### Annual Debt Service Payments

Year	GO Debt Supported by Tax Levies			GO Debt Supported by Special Assessments		
	Principal	Payment	% Retired	Principal	Payment	% Retired
2024	\$ -	\$ 6,143	0%	\$ 64,000	\$ 94,960	2%
2025	73,000	84,464	13%	243,000	364,104	8%
2026	75,000	84,799	27%	303,000	407,748	16%
2027	76,000	84,100	41%	313,000	409,745	24%
2028	78,000	84,368	55%	318,000	406,974	32%
2029	78,000	82,613	70%	333,000	413,912	40%
2030	82,000	84,813	85%	337,000	409,113	49%
2031	84,000	84,945	100%	342,000	404,694	58%
2032	-	-		283,000	335,971	65%
2033	-	-		186,000	231,189	70%
2034	-	-		196,000	234,677	75%
2035	-	-		98,000	131,895	77%
2036	-	-		103,000	133,929	80%
2037	-	-		75,000	103,090	82%
2038	-	-		80,000	105,378	84%
2039	-	-		80,000	102,578	86%
2040	-	-		85,000	104,626	88%
2041	-	-		85,000	101,503	90%
2042	-	-		90,000	103,243	92%
2043	-	-		95,000	104,750	95%
2044	-	-		100,000	106,020	97%
2045	-	-		105,000	107,048	100%
Totals	\$ 546,000	\$ 593,243		\$ 3,914,000	\$ 4,917,145	

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Year	GO Debt Supported by Tax Increment			GO Debt Supported by Revenues		
	Principal	Payment	% Retired	Principal	Payment	% Retired
2024	\$ -	\$ 11,680	0%	\$ 1,159,000	\$ 1,264,971	12%
2025	35,000	57,721	5%	1,283,000	1,541,838	24%
2026	35,000	56,444	11%	1,376,000	1,594,584	38%
2027	40,000	60,075	17%	297,000	484,067	41%
2028	40,000	58,615	23%	300,000	479,566	44%
2029	45,000	62,064	30%	311,000	482,862	47%
2030	45,000	60,421	38%	319,000	482,751	50%
2031	45,000	58,779	45%	330,000	485,196	53%
2032	50,000	62,045	52%	336,000	482,371	57%
2033	50,000	60,220	60%	340,000	477,445	60%
2034	50,000	58,395	68%	351,000	479,109	64%
2035	50,000	56,570	76%	363,000	481,240	67%
2036	35,000	40,019	81%	312,000	420,007	70%
2037	40,000	43,650	88%	328,000	425,886	74%
2038	40,000	42,190	94%	341,000	428,180	77%
2039	40,000	40,730	100%	347,000	423,020	80%
2040	-	-		359,000	423,405	84%
2041	-	-		375,000	427,099	88%
2042	-	-		385,000	421,202	92%
2043	-	-		315,000	340,683	95%
2044	-	-		330,000	343,154	98%
2045	-	-		130,000	134,275	99%
2046	-	-		10,000	11,710	99%
2047	-	-		10,000	11,485	99%
2048	-	-		11,000	12,260	100%
2049	-	-		11,000	12,013	100%
2050	-	-		11,000	11,765	100%
2051	-	-		11,000	11,518	100%
2052	-	-		12,000	12,270	100%
Totals	\$ 640,000	\$ 829,618		\$ 10,060,000	\$ 12,605,927	

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## GENERAL INFORMATION

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The City of Annandale is located in Wright County approximately 68 miles northwest of the City of Minneapolis and 26 miles south of the City of St. Cloud. Minnesota Highways 55 and 24 run through the City providing easy access to St. Cloud and the Twin Cities Metropolitan area.

### Organization

The City was organized in 1888 as a Statutory City and currently operates under the Mayor-Council form of government. The City Council is composed of a mayor and four Council members. The Mayor is elected at large and serves a four-year term. Four Council members are elected at large to serve overlapping four-year terms. The City Council, is comprised of the following members with the mayor only voting in case of a tie:

<u>Name</u>	<u>Position</u>	<u>Expires</u>
Shelly Jonas	Mayor	2024
Corey Czycalla	Council Member	2026
Tina Honsey	Council Member	2026
JT Grundy	Council Member	2024
Matthew Wuollet	Council Member	2024

The City Administrator, Kelly Hinnenkamp, is appointed by the City Council. Ms. Hinnenkamp is responsible for administering the various City departments, implementing Council policies and coordinating the preparation of the annual City budget.

The City currently employs 13 full-time and two (2) part-time persons. There are also five (5) full-time police officers and six (6) part-time police officers as well as a volunteer fire department of 24.

### City Services

The City’s water utility is supplied from three (3) City wells with a pumping capacity of 3,000,000 gallons per day and an average demand of 250,000 gallons per day. The peak demand is 800,000 gallons per day. The City maintains a 300,000-gallon elevated storage facility and also has ground storage capacity of 300,000 gallons. There are 1,042 connections to the water utility.

The City’s sewer utility consists of a mechanical plant with a treatment capacity of 1,180,000 gallons per day. The average demand is 250,000 gallons per day with a peak of 650,000 gallons per day. There are 1,042 connections to the sewer utility. The sewer treatment facility is jointly owned by the cities of Annandale, Howard Lake and Maple Lake.

The City has seven (7) neighborhood parks that have playground facilities, ballfields, restrooms, pavilions, and a city beach with a beach house. The property is maintained by the public works staff of the City and the summer recreation program is managed by Independent Public School district staff.

### Employee Pensions

The full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA.) PERA administers the General Employees Retirement Plan (GERP) and the Public Employees Police and Fire Plan (PEPFP) which are cost sharing multiple-employer retirement plans. PERA members belong to the Coordinated Plan and are covered by Social Security. All police officers, fire fighters and peace officers that qualify for membership by statute are covered by the PEPFP. The City contribution to GERP for the year ended December 31, 2022 was \$70,750. The City contribution to PEPFP for the year ended December 31, 2022 was \$70,935.

## Census Data

### Population Trends

	<u>Population</u>
2010 U.S. Census	3,228
2015 U.S. Census	3,296
2020 U.S. Census	3,330

Source: U.S. Census Bureau

### Income and Housing Statistics

	<u>City of Annandale</u>	<u>Wright County</u>	<u>State of Minnesota</u>
2022 Per Capita Income	\$ 30,629	\$ 44,098	\$ 45,021
2022 Median Household Income	51,525	93,602	82,338
% of Population below Poverty	13.0%	5.1%	9.6%
Median Value of Owner-Occupied Housing	\$ 201,300	\$ 339,500	\$ 314,600

Source: U.S. Census Bureau

There are 1,179 single-family and 240 multiple-family residences in the City. During the past year, the City has had 25 new single-family homes constructed.

## Employment Data

	<u>Labor Force County</u>	<u>County</u>	<u>Unemployment Rate Statewide</u>
February, 2024	77,556	4.1%	3.6%
February, 2023	77,257	4.0%	3.4%

Source: Minnesota Department of Employment and Economic Development

## Building Permits

<u>Year</u>	<u>Number of Permits</u>			<u>Total Value of Permits</u>
	<u>Commercial/Industrial</u>	<u>Residential</u>	<u>Other</u>	
2024*	6	19	-	\$ 1,270,278
2023	29	188	-	11,931,493
2022	37	150	-	15,531,765
2021	30	79	-	5,576,699
2020	16	97	-	15,907,367
2019	29	87	-	6,617,888

Source: City Records as of April 3, 2024

## Commercial/Industrial Development

In the past three (3) years, the City has seen the following commercial/industrial development:

<u>Name of Business</u>	<u>Product/Service</u>	<u>Type of Building</u>	<u>Estimated Cost of Project</u>
Matt Bronder Construction	Construction Business	----	\$ 400,000
Integrity Specialists	Non-Destructive Testing	----	750,000
Little Jim's Bait Shop	Retail	----	650,000
Anchor Dock	Storage	----	125,000
Annandale Care Center	Senior & Assisted Living	----	9,000,000

Source: City Records

### Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u># of Employees</u>
Friendship Ventures	Camp/special needs	266
ISD 876	Public education	226
Malco Products, Inc.	Specialty tools for HVAC	170
Annandale Care Center	Nursing home	97
EA Sween	Prepare/distribute packaged sandwiches	75
The Marketplace	Grocery store	65
RM Johnson, Co.	Industrial machinery	65
M & M Bus Service	Bus services	60
Mid MN Hot Mix	Asphalt paving/resurfacing	50
Lundeen Brothers Ford	Automobile sales/service	43

Source: City Records

### Financial Services

Lake Central Bank reported deposits of \$146,751,000 and Star Bank reported deposits of \$34,012,000. All deposits are as of June 30, 2023.

Source: FDIC on-line “Summary of Deposits”

### Healthcare

The Allina Health Clinic provides medical services to the community. In addition, the Buffalo Hospital is located within 15 miles of the City.

### Transportation

Minnesota Highways 24 and 55 run through the City providing easy access to St. Cloud and the Twin Cities Metropolitan area.

### Utilities

The City of Annandale is supplied natural gas by Center Point Energy and electrical service by Xcel Energy.

### Communications

The City of Annandale is provided local telephone service by Windstream. The City has local internet access available. A website serving the Annandale area can be found at: [www.annandale.mn.us](http://www.annandale.mn.us)

Source: City Records

## **APPENDIX A**

### **COUNTY AUDITOR'S CERTIFICATE**

The following pages contain a copy of the Wright County Auditor's Certificate for taxes payable in 2023.

STATE OF MINNESOTA )  
 )  
 COUNTY OF WRIGHT ) ss

CERTIFICATE AS TO TAXES AND TAXABLE PROPERTY  
 IN THE CITY OF ANNANDALE, MN (Herein called the "Taxing  
 District")

I hereby certify that the "Taxing District" is situated wholly in the County and that:

1. Value of property taxable by the "Taxing District" as assessed in 2022 for the purpose of computing the rates of taxes collected in 2023 and additions thereto and deductions therefrom which are permitted or required for debt and tax limit purposes, are recorded as follows:

	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Tax Capacity</u>
Real Estate:			
Residential Homestead (Non-Ag) Class 1a & 1b			\$ 2,159,778
Agricultural (Class 1b, 1d 2a, 2b)			35,856
Commercial & Ind (Class 3a, 3b, 5(1)), (zoned Comm, Ind., Pub Util)			
Public Utility			8,666
Railroad Operating Property			11,044
All Other Commercial & Industrial			833,998
Non-Homestead Residential (Class 4a, 4b(1-4), 4bb, 4c(2-4,6-8))			570,569
Residential Seasonal/Rec. (Class 1c, 4c(1), 4c(5))			31,391
Other (Class 5(2))			
<b>Total Real Estate</b>	<b>\$ 341,607,000</b>	<b>\$ 325,897,315</b>	<b>\$ 3,651,302</b>
<b>Total Personal Property</b>	<b>\$ 1,615,900</b>	<b>\$ 1,615,900</b>	<b>\$ 32,067</b>
<b>Total Real and Personal Property</b>	<b>\$ 343,222,900</b>	<b>\$ 327,513,215</b>	<b>\$ 3,683,369</b>
Subtract (Tax Increment)			161,234
Subtract (Power Line)			
Adjusted Tax Capacity			\$ 3,522,135
<b>Mobile Home Valuation (2022)</b>	<b>\$ 8,463,000</b>	<b>\$</b>	<b>\$</b>

2023 Homestead Exclusions		
Real Estate	Personal Property	Manufactured Home
12,669,937		

2. Historic valuations (Real and Personal property) for the "taxing district" have been as follows (Wright County values only):

Levy Year	Collection Year	Estimated Market Value	Taxable Market Value	Total Tax Capacity *	Net Tax Capacity **
2021	2022	\$ 288,785,600	\$ 271,561,700	\$ 3,072,858	\$ 2,990,510
2020	2021	\$ 272,951,100	\$ 255,107,200	\$ 2,917,529	\$ 2,838,295
2019	2020	\$ 254,238,300	\$ 236,308,900	\$ 2,701,833	\$ 2,678,854
2018	2019	\$ 238,219,200	\$ 220,176,500	\$ 2,522,701	\$ 2,505,698
2017	2018	\$ 225,145,500	\$ 207,266,200	\$ 2,399,587	\$ 2,382,732

\* - INCLUDES tax increment and power line values  
 \*\* - DOES NOT INCLUDE tax increment and power line values

3. The fifteen largest taxpayers in the "taxing district", based on the Net Tax Capacity of both real and personal property, are as follows

Taxpayer	Type of Business	2022/2023 Estimated Market Value	2022/2023 Net Tax Capacity
Annandale Care Center	Apartments	6,566,300	82,079
HS Pintail LLC	Apartments	5,957,100	74,464
Annandale Marketplace	Commercial	2,203,400	43,318
Eastview Mobile Home Park LLC	Mobile Home Park	4,179,400	41,794
Annandale Clinic Partners LLC	Commercial	1,904,400	37,338
Centerpoint Energy	Utility	1,245,600	24,912
Lake Central Bank	Commercial	1,346,000	23,941
Bishop Assets LLC	Commercial	1,300,700	23,614
E A Sween Company	Industrial	1,167,500	22,600
Cottages of Annandale LLC	Apartments	2,999,900	22,499
Annandale New Town Market LLC	Commercial	1,082,700	20,904
Sand Real Estate	Industrial	1,067,300	20,596
Annandale Square Associates	Apartments	2,718,300	20,387
R & E Johnson Investments LLC	Industrial	1,029,600	19,842
Annandale Retail Center LLC	Commercial	1,022,300	19,696

4. Total ad valorem tax levies and collections in said Municipality for all purposes during the past years were as follows:

Levy Year / Collection Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Original Gross Levy (Certified Levy)	\$ 1,457,213.40	\$ 1,492,282.21	\$ 1,548,886.03	\$ 1,632,997.92	\$ 1,681,504.28
Less: Property Tax Credits	(505.37)	(505.46)	(522.99)	(571.78)	(610.26)
Total Net Property Tax (Spread Levy)	\$ 1,456,708.03	\$ 1,491,776.75	\$ 1,548,363.04	\$ 1,632,426.14	\$ 1,680,894.02
Less: Abatements and Adjustments during Collection Year	\$ (115.15)	\$ 1,478.42	\$ (0.71)	\$ (1.20)	\$ 0.00
Adjusted Net Levy	\$ 1,456,592.88	\$ 1,493,255.17	\$ 1,548,362.33	\$ 1,632,424.94	\$ 1,680,894.02
Less: Amount Collected During Collection Year	\$ (1,448,090.75)	\$ (1,486,818.40)	\$ (1,540,546.82)	\$ (1,607,356.96)	\$
Amount Delinquent at end of Collection Year	\$ 8,502.13	\$ 6,436.77	\$ 7,815.51	\$ 25,067.98	\$
Less: Abatements, Cancellations or Additions after First Collection Year	\$ (37.21)	\$	\$	\$	\$
Less: Delinquencies Collected as of: December 31, 2022	\$ (8,309.64)	\$ (6,431.19)	\$ (7,659.44)	\$	\$
Amount Delinquent as of: December 31, 2022	\$ 155.28	\$ 5.58	\$ 156.07	\$ 25,067.98	\$

5. The "Taxing District" has power to tax property in Wright County. The following governmental units within the County also have the power to levy taxes in the "Taxing District".

Cities:	<u>Annandale</u>	Towns:	<u></u>
	<u></u>		<u></u>
	<u></u>		<u></u>
School Dist:	<u>ISD 876 - Annandale</u>	Special Dist:	<u>CRWD</u>
	<u></u>		<u></u>

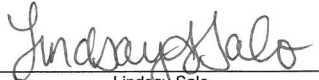
6. The "Taxing District" and all the governmental units listed above in section 5 having bonded debt, has such debt as shown below as of the date of this certificate. Also, please show Tax Capacities, including fiscal disparities distribution and excluding fiscal disparities contributions and captured tax increment capacity.

Governmental Unit	Tax Capacity of Entire Governmental Unit	Tax Capacity of Portion Within Taxing Dist	G.O. Bonded Debt As of 12/31/22	2022/2023 Tax Capacity Rate Levied for Debt Service Only
Wright County	239,018,528	3,522,135	133,535,000	4.653%
City of Annandale	3,522,135	3,522,135	13,029,775	6.201%
ISD 876 - Annandale	23,900,923	3,522,135	17,060,000	7.823%
CRWD	13,117,560	3,157,905		

7. The initial tax capacity rates (prior to disparity reduction and other adjustments) for the "taxing district" and the overlapping tax districts have been:

Governmental Unit	2018/2019 Tax Capacity Rate	2019/2020 Tax Capacity Rate	2020/2021 Tax Capacity Rate	2021/2022 Tax Capacity Rate	2022/2023 Tax Capacity Rate
Wright County	44.273%	44.421%	43.719%	43.751%	37.848%
City of Annandale	58.156%	55.706%	54.571%	54.606%	47.741%
ISD 876 - Annandale	21.140%	20.688%	19.539%	16.770%	14.211%
CRWD	1.648%	1.550%	1.762%	1.378%	1.156%

WITNESS my hand and official seal this 2nd day of May, 2023.

  
 Lindsay Salo  
 Property Tax Administrator



**WRIGHT COUNTY**  
MINNESOTA

Finance and Taxpayer Services

**Wright County Finance**  
**3650 Braddock Ave NE, Ste 3200**  
**Buffalo, MN 55313-3674**

Invoice #: C23

Date: 5/2/2023

Name: CITY OF ANNANDALE

Address: 30 CEDAR STE E  
PO BOX K  
ANNANDALE MN 55302

Description / Service		Amount
Certificate as to Taxes and Taxable Property - CITY OF ANNANDALE		\$ 150.00
01-041-5501		
Thank you for your business		<b>Total</b> \$ 150.00

If you have any questions regarding this invoice please call the us at (763) 682-7578



PROPOSED FORM OF LEGAL OPINION

\$3,225,000  
GENERAL OBLIGATION BONDS, SERIES 2024A  
CITY OF ANNANDALE  
WRIGHT COUNTY  
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Annandale, Wright County, Minnesota (the "Issuer"), of its \$3,225,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of May 30, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and

is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

[Appendix C to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Annandale, Minnesota (the "Issuer"), in connection with the issuance of its \$3,225,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on May 7, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated \_\_\_\_\_, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

### SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Valuations – County Auditor; Trends in Valuations; and City Indebtedness.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: May 30, 2024.

CITY OF ANNANDALE, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

## Appendix D Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

### Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

### Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased



to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

### **Property Tax Credits** **(Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

### **Debt Limitations**

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.
12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

### **Levies for General Obligation Debt**

***(Sections 475.61 and 475.74, Minnesota Statutes)***

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

### **Metropolitan Revenue Distribution**

***(Chapter 473F, Minnesota Statutes)*** (*"Fiscal Disparities Law"*)

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

## Minnesota Property Class Rate Schedule

(current through taxes payable 2022)

<b>Property Type</b>	<b>Taxes Payable Year</b>				
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>Residential Homestead (1a)</b>					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
<b>Residential Non-homestead</b>					
Single Unit (4bb1)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
<b>Market Rate Apartments</b>					
Regular (4a)					
Low-Income (4d)	1.25%	1.25%	1.25%	1.25%	1.25%
Up to \$115, 000 <sup>4</sup>	0.75%	0.75%	0.75%	0.75%	0.75%
Over \$115, 000 <sup>4</sup>	0.25%	0.25%	0.25%	0.25%	0.25%
<b>Commercial/Industrial/Public Utility (3a)</b>					
Up to \$150,000	1.50% <sup>1</sup>	1.50% <sup>1</sup>	1.50% <sup>1</sup>	1.50% <sup>1</sup>	1.50% <sup>1</sup>
Over \$150,000	2.00% <sup>1</sup>	2.00% <sup>1</sup>	2.00% <sup>1</sup>	2.00% <sup>1</sup>	2.00% <sup>1</sup>
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
<b>Commercial Seasonal Residential</b>					
Homestead Resorts (1c)					
Up to \$600,000	0.50%	0.50%	0.50%	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$2,300,000	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>
Seasonal Resorts (4c)					
Up to \$500,000	1.00% <sup>1</sup>	1.00% <sup>1</sup>	1.00% <sup>1</sup>	1.00% <sup>1</sup>	1.00% <sup>1</sup>
Over \$500,000	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>	1.25% <sup>1</sup>
<b>Non-Commercial (4c12)</b>					
Up to \$500,000	1.00% <sup>1 2</sup>	1.00% <sup>1 2</sup>	1.00% <sup>1 2</sup>	1.00% <sup>1 2</sup>	1.00% <sup>1 2</sup>
Over \$500,000	1.25% <sup>1 2</sup>	1.25% <sup>1 2</sup>	1.25% <sup>1 2</sup>	1.25% <sup>1 2</sup>	1.25% <sup>1 2</sup>
<b>Disabled Homestead (1b)</b>					
Up to \$50,000	0.45%	0.45%	0.45%	0.45%	0.45%
<b>Agricultural Land &amp; Buildings</b>					
Homestead (2a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to \$2,050,000 <sup>4</sup>	0.50% <sup>2</sup>	0.50% <sup>2</sup>	0.50% <sup>2</sup>	0.50% <sup>2</sup>	0.50% <sup>2</sup>
Over \$2,050,000 <sup>4</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>
Non-homestead (2b)					
	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>	1.00% <sup>2</sup>

<sup>1</sup> Subject to the State General Property Tax.

<sup>2</sup> Exempt from referendum market value tax.

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

## **APPENDIX E**

### **FINANCIAL STATEMENT**

The City's financial statements are audited annually. The following pages contain a copy of the 2022 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

Burkhardt & Burkhardt, Ltd., the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Burkhardt & Burkhardt, Ltd. also has not performed any procedures relating to this offering document.

**CITY OF ANNANDALE  
ANNANDALE, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS**

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

CITY OF ANNANDALE, MINNESOTA

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shelly Jonas	Mayor	December 31, 2022
Corey Czycalla	Council Member	December 31, 2022
Tina Honsey	Council Member	December 31, 2022
James Grundy	Council Member	December 31, 2024
Matthew Wuollet	Council Member	December 31, 2024

APPOINTED

<u>Name</u>	<u>Title</u>
Kelly Hinnenkamp	Administrator
Stephanie Nilson	Accountant
Jen Holm	Deputy Clerk
Kris Townsend	Fire Chief
Peter Standafer	Police Chief
Joseph Haller	Public Works





# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: [www.bnbcpas.com](http://www.bnbcpas.com)

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35 Oak Ave. N, P.O. Box N  
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F: 320.274.2260

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**Mankato Office:**  
430 S. Broad St., Ste. 100  
Mankato, MN 56001  
P: 507.387.1338  
F: 507.387.5199

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## INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and  
Members of the City Council  
Annandale, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Annandale, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



***Prior Year Comparative Information***

We have previously audited the City's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 20, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
June 2, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Annandale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2022 fiscal year include the following:

- (1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23,402,770 (net position). Of this amount, \$6,286,240 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$21,829,901, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of 6,698,933. \$3,611,246 of this total amount, over 53%, is available for use within the City's designations.
- (4) At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,939,963, or 75%, of total General fund expenditures.
- (5) The City had an increase in net position for governmental activities of \$2,719,258 and a decrease of \$295,197 for business-type activities during the current fiscal year, with an overall increase of \$2,424,061.

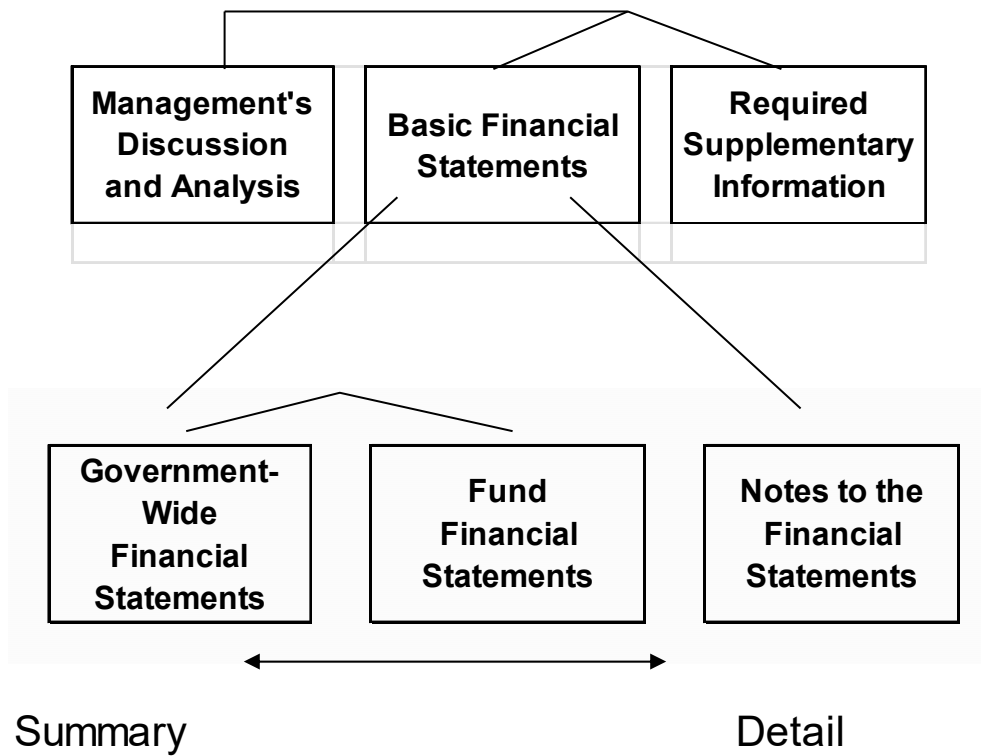
CITY OF ANNANDALE, MINNESOTA  
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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

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

**FIGURE 1 – REQUIRED COMPONENTS OF THE CITY'S ANNUAL FINANCIAL REPORT**



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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year; regardless of when cash is received or paid

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). The 2022 Statement provides for an increase in net position in the governmental funds and a decrease in the business-type activities, additionally the investment in capital assets increased in the governmental activities and decreased in the business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, economic development, and interest on long-term debt. The business-type activities of the City include the water, sewer, refuse and storm water utilities.

The government-wide financial statements can be found on pages 20 - 22 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Fire Equipment fund and Debt Service funds. Data from the debt service and other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these debt service and nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 23 - 27 of this report.



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**Proprietary Funds**

The City maintains only one type of Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary funds financial statements provide separate information for the Enterprise funds, all of which are major funds of the City.

The basic Proprietary fund financial statements can be found on pages 28 - 33 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 35 - 69 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 71 of this report.

**Other Information**

The combining statements and schedules referred to earlier in connection with debt service and nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start on page 80 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,402,770 at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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A condensed version of the Statement of Net Position on December 31, 2022, follows:

**City of Annandale's Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 8,917,678	\$ 6,503,698	\$ 2,413,980	\$ 1,271,998	\$ 717,499	\$ 554,499
Equity interest	-	-	-	6,154,083	6,581,047	(426,964)
Capital assets	10,751,864	10,346,147	405,717	11,078,037	11,338,638	(260,601)
	19,669,542	16,849,845	2,819,697	18,504,118	18,637,184	(133,066)
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	2,011,026	893,143	1,117,883	254,899	148,309	106,590
<i>Liabilities</i>						
Current liabilities	3,639,617	1,047,441	2,592,176	1,563,892	1,454,225	109,667
Long-term liabilities	5,287,098	6,295,778	(1,008,680)	5,544,361	5,318,314	226,047
	8,926,715	7,343,219	1,583,496	7,108,253	6,772,539	335,714
<i>Deferred Inflows of Resources</i>						
Lease deferments	49,833	-	49,833	-	-	-
Pension plan deferments	849,986	1,264,993	(415,007)	102,028	169,021	(66,993)
	899,819	1,264,993	(365,174)	102,028	169,021	(66,993)
<b>Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources</b>	<b>\$ 11,854,034</b>	<b>\$ 9,134,776</b>	<b>\$ 2,719,258</b>	<b>\$ 11,548,736</b>	<b>\$ 11,843,933</b>	<b>\$ (295,197)</b>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 4,441,352	\$ 4,013,792	\$ 427,560	\$ 8,778,920	\$ 10,152,637	\$ (1,373,717)
Restricted	3,662,247	1,894,021	1,768,226	234,011	193,087	40,924
Unrestricted	3,750,435	3,226,963	523,472	2,535,805	1,498,209	1,037,596
<b>Total net position</b>	<b>\$ 11,854,034</b>	<b>\$ 9,134,776</b>	<b>\$ 2,719,258</b>	<b>\$ 11,548,736</b>	<b>\$ 11,843,933</b>	<b>\$ (295,197)</b>

Assets of the governmental activities increased in 2022 by \$2,819,697. This increase was predominantly a result of notes issued to retire a temporary bond related to infrastructure on a completed construction project. The change in equity interest of a joint venture was the primary reason total assets decreased for the business-type activities. The increase in long-term liabilities of both the governmental activities and business-type activities is associated with scheduled principal payments on long-term debt outstanding, offset by a significant increase in their net pension liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6,286,240 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government activities and the business-type activities.

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Governmental and business-type activities increased the City's net position by \$2,424,380. Key elements of this increase are as follows:

**City of Annandale's Changes in Net Position**

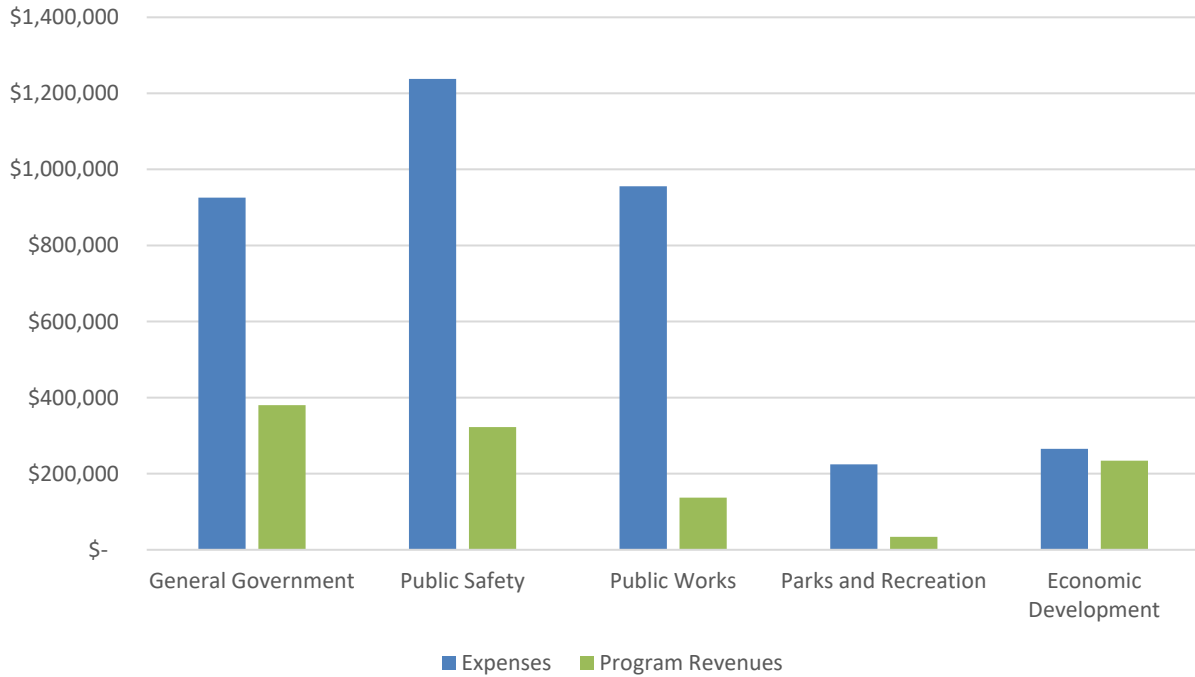
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
<i>Revenues</i>						
Program revenues						
Charges for services	\$ 741,658	\$ 655,479	\$ 86,179	\$ 2,092,493	\$ 2,114,987	\$ (22,494)
Operating grants and contributions	326,416	379,145	(52,729)	-	-	-
Capital grants and contributions	39,269	517,567	(478,298)	918,205	1,114,529	(196,324)
General revenues						
Property taxes	1,762,946	1,574,771	188,175	-	-	-
Intergovernmental	745,785	723,241	22,544	-	-	-
Other sources	644,198	357,542	286,656	1,556,320	244,418	1,311,902
Total Revenue	4,260,272	4,207,745	52,527	4,567,018	3,473,934	1,093,084
<i>Expenses</i>						
General Government	926,000	711,693	214,307	-	-	-
Public Safety	1,237,908	1,045,329	192,579	-	-	-
Public Works	955,443	795,403	160,040	-	-	-
Parks and Recreation	224,300	173,163	51,137	-	-	-
Economic development	265,473	216,818	48,655	-	-	-
Water	-	-	-	616,980	538,797	78,183
Sewer	-	-	-	1,264,425	1,142,684	121,741
Refuse	-	-	-	235,803	189,224	46,579
Storm water	-	-	-	88,948	91,480	(2,532)
Interest on long-term debt	160,985	160,695	290	-	-	-
Total Expenses	3,770,109	3,103,101	667,008	2,206,156	1,962,185	243,971
Change in equity interest	-	-	-	(426,964)	(151,645)	(275,319)
Transfer	2,229,095	(1,596,093)	3,825,188	(2,229,095)	1,596,093	(3,825,188)
Total change in equity and transfers	2,229,095	(1,596,093)	3,825,188	(2,656,059)	1,444,448	(4,100,507)
Change in Net Position	2,719,258	(491,449)	3,210,707	(295,197)	2,956,197	(3,251,394)
Net position - January 1	9,134,776	9,626,225	(491,449)	11,843,933	8,887,736	2,956,197
Net position - December 31	\$ 11,854,034	\$ 9,134,776	\$ 2,719,258	\$ 11,548,736	\$ 11,843,933	\$ (295,197)

Net position for the governmental activities increased \$2,719,258 in 2022, this was an increase of \$3,210,707 from the prior year. The majority of the change was due to transfers from the business-type activities. Expenses of the governmental activities experienced an increase of \$667,008 related to increased spending in the general fund. Business-type net position decreased \$295,197, which was a decrease of \$3,251,394 over the prior year. Increased transfers along with a deficit change in the equity interest of the joint venture resulted in the overall reduced change in net position.

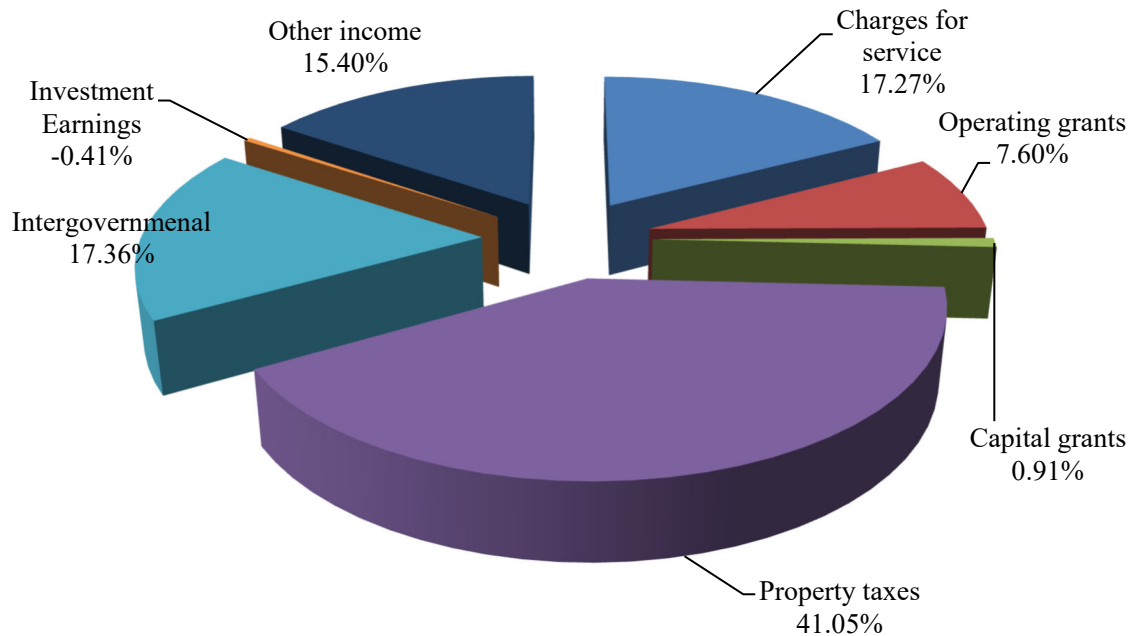
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Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

### Expenses and Program Revenues – Governmental Activities



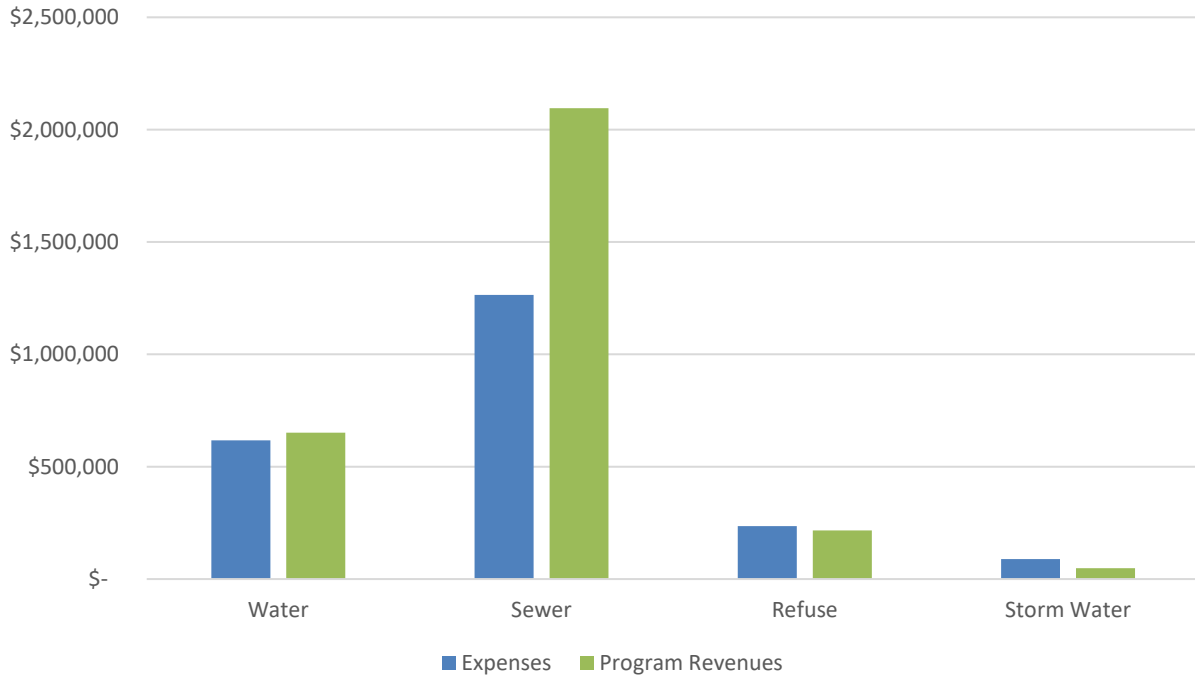
### Revenues by Source – Governmental Activities



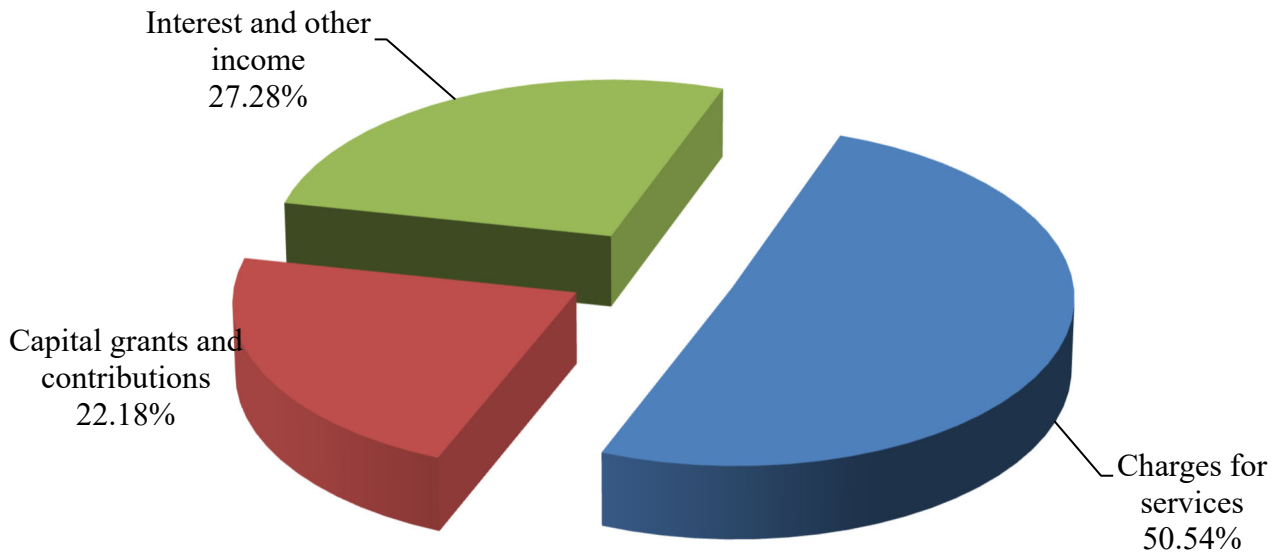
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Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

**Expenses and Program Revenues – Business-Type Activities**



**Revenue by Source – Business-Type Activities**



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**FUND FINANCIAL ANALYSIS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,698,933. The unreserved fund balance constitutes \$3,611,246 of the total combined ending fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of \$3,087,687.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$2,287,707. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents 54% of total 2022 actual expenditures. The General fund balance decreased \$267,037, during the year, primarily due to transfers out.

The Debt Service fund had a fund balance increase of \$1,837,114. The fund was established to properly account for the resources necessary to meet debt service requirements.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finance of the fund have already been addressed in the discussion of the City's business-type activities.

The City's Proprietary funds have unrestricted net position as follows:

Water fund	\$	682,848
Sewer fund		1,823,638
Refuse fund		17,787
Storm water fund		11,532

**BUDGETARY HIGHLIGHTS**

**General Fund.**

The City increased its general tax levy collectible in 2022 by 34.0% from the 2021 levy. Local government aid from the state has stabilized and with budget surpluses at the state level in the last few years it appears that source of revenue is in good shape. There were no budget amendments during the year, and the City budgeted expenditures to exceed revenues by \$20,307.

Revenues were over the budgeted sources by \$398,030, with the following significant variances:

- Intergovernmental revenue of \$226,581
- Licenses and permits of \$71,969
- Other revenues of \$114,346

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Expenditures were over the budgeted appropriations by \$313,566, with the following significant variances:

- General government was over budget by \$152,442
- Public safety was over budget by \$92,356

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The city continued to invest in capital equipment to provide the best services for its residents. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$21,829,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- City Hall improvement
- Big Woods park equipment
- 2022 Pierce Freightliner HDR rescue truck
- SCBA equipment
- 2022 Durango Pursuit
- Hemlock project improvement
- Mini excavator
- Lake John utility extension

**City of Annandale's Capital Assets**

	Governmental Activities			Business-type Activities		
	<u>2022</u>	<u>2021</u>	Increase (Decrease)	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Land	\$ 2,463,708	\$ 2,463,708	\$ -	\$ 277,948	\$ 277,948	\$ -
Buildings and improvements	5,126,283	5,056,413	69,870	4,187,883	4,187,883	-
Equipment	3,612,677	2,830,983	781,694	320,753	320,753	-
Infrastructure	22,585,645	22,585,645	-	13,028,819	13,028,819	-
Construction in progress	684,803	585,422	99,381	158,896	-	158,896
<b>Total</b>	<b><u>\$ 34,473,116</u></b>	<b><u>\$ 33,522,171</u></b>	<b><u>\$ 950,945</u></b>	<b><u>\$ 17,974,299</u></b>	<b><u>\$ 17,815,403</u></b>	<b><u>\$ 158,896</u></b>

**LONG-TERM DEBT**

At the end of the fiscal year, the City had total long-term debt of \$15,325,234. This consisted of \$4,941,000 for G.O. improvement bonds/notes, \$617,000 for G.O. certificates, \$710,000 for G.O. tax increment bonds, \$6,519,116 for G.O. revenue bonds, \$2,409,411 for net pension liability, \$86,197 for compensated absences, and \$42,510 for bond premiums. State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statement.

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Key elements of long-term debt are as follows:

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
<b>Governmental Activities:</b>			
General Obligation Bonds	\$ 6,268,000	\$ 6,289,000	\$ (21,000)
Bond Premium/discount	42,510	43,355	(845)
Net Pension Liabilities	2,070,391	532,230	1,538,161
Compensated Absences	86,197	69,193	17,004
Total	<u>8,467,098</u>	<u>6,933,778</u>	<u>\$ 1,533,320</u>
<b>Business-type Activities:</b>			
General Obligation Revenue Bonds	6,519,116	6,404,000	115,116
Net Pension Liabilities	339,020	168,314	170,706
Total	<u>6,858,136</u>	<u>6,572,314</u>	<u>285,822</u>
Total Long-term Liabilities	<u>\$ 15,325,234</u>	<u>\$ 13,506,092</u>	<u>\$ 1,819,142</u>
<b>Bonded Debt:</b>			
General Obligation Bonds	\$ 6,268,000	\$ 6,289,000	\$ (21,000)
General Obligation Revenue Bonds	<u>6,519,116</u>	<u>6,404,000</u>	<u>115,116</u>
Total Bonded Debt	<u>\$ 12,787,116</u>	<u>\$ 12,693,000</u>	<u>\$ 94,116</u>

**FACTORS BEARING ON THE CITY'S FUTURE**

The economic outlook for Wright County remains stable. The economy around the Annandale area remains strong with continued strong land prices. The tax capacity of the City increased by \$155,056, or 5.3%, between 2021 and 2022. New construction, particularly home construction, contributed to this increase along with an increase in market valuations for residential properties. New construction was stable in 2022, with 30 permits approved for new homes. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward. All of these factors were considered in preparing the City's budget for 2022 and will be for the 2023 fiscal year as well.

For the 2022 fiscal year, general fund revenue and expenditure projections remained conservative. The 2022 general fund budget for revenues was \$2,605,790.00 and expenditures was \$2,605,790.00. The 2022 general fund budget includes funding for the following:

- Legislative Functions of the City
- Operational expenses including wages, utilities and supplies for administering the Planning and Zoning, Administration, Public Safety, Police and Fire and Public Works functions of the City
- Capital Expenditure Transfers to cover capital outlay for the Administration, Public Safety and Public Works functions of the City.

The 2022 proprietary fund (water, sewer, refuse and storm water) budget is \$3,308,895 for revenues and \$3,207,233 for expenditures, resulting in a net gain of \$101,661. Reflected in the 2022 budget is a 2% general rate increase in water rates, 2.5% increase in sewer rates and a 1.75% rate increase in refuse and storm water rates. The 2022 proprietary fund budget includes funding for the following:

- Operational expenses including wages, utilities and supplies related to water, sewer, refuse and storm water services
- Debt service expenses related to water, sewer, refuse and storm water funds



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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Annandale, 30 Cedar Street East, Annandale, MN, 55302.

## BASIC FINANCIAL STATEMENTS

CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION  
December 31, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets</b>			
Cash and Investments	\$ 5,988,004	\$ 727,748	\$ 6,715,752
Restricted Cash	0	234,011	234,011
Receivables:			
Accounts	6,963	192,184	199,147
Intergovernmental	51,147	23,675	74,822
Property Taxes	68,996	0	68,996
Leases	51,143	0	51,143
Notes, Net of Allowance	110,321	0	110,321
Prepaid Expenses	103,648	30,461	134,109
Special Assessments	796,380	5,218	801,598
Property Held for Sale	845,855	0	845,855
Internal Balances	(58,700)	58,700	0
Equity Interest in Joint Venture	0	6,154,083	6,154,083
Capital Assets:			
Assets not Being Depreciated	3,148,511	436,844	3,585,355
Other Capital Assets, Net of Depreciation	7,603,353	10,641,193	18,244,546
Net Pension Asset	953,921	0	953,921
Total Assets	<u>19,669,542</u>	<u>18,504,117</u>	<u>38,173,659</u>
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments	<u>2,011,026</u>	<u>254,899</u>	<u>2,265,925</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 21,680,568</u></u>	<u><u>\$ 18,759,016</u></u>	<u><u>\$ 40,439,584</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accrued Expenses	\$ 345,824	\$ 150,843	\$ 496,667
Due to Other Governments	643	99,273	99,916
Current Portion of Long-term Debt	3,180,000	1,313,775	4,493,775
Compensated Absences	86,197	0	86,197
Unearned Revenue	113,150	0	113,150
Long-term Debt, Net of Current Portion	3,130,510	5,205,341	8,335,851
Net Pension Liability	2,070,391	339,020	2,409,411
Total Liabilities	<u>8,926,715</u>	<u>7,108,252</u>	<u>16,034,967</u>
<b>Deferred Inflows of Resources:</b>			
Lease Deferments	49,833	0	49,833
Pension Plan Deferments	849,986	102,028	952,014
Total Deferred Inflows of Resources	<u>899,819</u>	<u>102,028</u>	<u>1,001,847</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,441,352	8,778,920	13,220,272
Restricted	3,662,247	234,011	3,896,258
Unrestricted	3,750,435	2,535,805	6,286,240
Total Net Position	<u>11,854,034</u>	<u>11,548,736</u>	<u>23,402,770</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 21,680,568</u></u>	<u><u>\$ 18,759,016</u></u>	<u><u>\$ 40,439,584</u></u>

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

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CITY OF ANNANDALE, MINNESOTA

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 926,000	\$ 380,244	\$ 0	\$ 0
Public Safety	1,237,908	199,419	123,053	0
Public Works	955,443	97,499	0	39,269
Parks and Recreation	224,300	33,870	0	0
Economic Development	265,473	30,626	203,363	0
Interest on Long-term Debt	160,985	0	0	0
Total Governmental Activities	<u>3,770,109</u>	<u>741,658</u>	<u>326,416</u>	<u>39,269</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	616,980	651,471	0	0
Sewer	1,264,425	1,176,791	0	918,205
Refuse	235,803	216,132	0	0
Storm Water	88,948	48,099	0	0
Total Business-type Activities	<u>2,206,156</u>	<u>2,092,493</u>	<u>0</u>	<u>918,205</u>
Total Primary Government	<u>\$ 5,976,265</u>	<u>\$ 2,834,151</u>	<u>\$ 326,416</u>	<u>\$ 957,474</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Change in Equity Interest

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expenses) Revenues and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total Primary Government
\$ (545,756)	\$ 0	\$ (545,756)
(915,436)	0	(915,436)
(818,675)	0	(818,675)
(190,430)	0	(190,430)
(31,484)	0	(31,484)
<u>(160,985)</u>	<u>0</u>	<u>(160,985)</u>
<u>(2,662,766)</u>	<u>0</u>	<u>(2,662,766)</u>
0	34,491	34,491
0	830,571	830,571
0	(19,671)	(19,671)
0	<u>(40,849)</u>	<u>(40,849)</u>
<u>0</u>	<u>804,542</u>	<u>804,542</u>
<u>(2,662,766)</u>	<u>804,542</u>	<u>(1,858,224)</u>
1,537,487	0	1,537,487
130,000	0	130,000
95,459	0	95,459
745,785	0	745,785
(17,469)	(8,880)	(26,349)
661,667	1,565,200	2,226,867
2,229,095	(2,229,095)	0
0	<u>(426,964)</u>	<u>(426,964)</u>
<u>5,382,024</u>	<u>(1,099,739)</u>	<u>4,282,285</u>
2,719,258	(295,197)	2,424,061
<u>9,134,776</u>	<u>11,843,933</u>	<u>20,978,709</u>
<u>\$ 11,854,034</u>	<u>\$ 11,548,736</u>	<u>\$ 23,402,770</u>

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

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2022

	General	Debt Service Funds	Fire Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 1,556,441	\$ 2,735,267	\$ 167,981	\$ 1,528,315	\$ 5,988,004
Receivables:					
Accounts	4,489	0	231	2,243	6,963
Intergovernmental	47,630	0	0	3,517	51,147
Property Taxes	68,996	0	0	0	68,996
Leases	0	0	0	51,143	51,143
Notes	0	0	0	110,321	110,321
Prepaid Expense	100,941	0	0	2,707	103,648
Due from Other Funds	884,731	0	0	0	884,731
Special Assessments	4,486	768,409	0	23,485	796,380
Land Held for Sale	0	0	0	845,855	845,855
Advance to Other Funds	0	0	0	105,238	105,238
<b>TOTAL ASSETS</b>	<b>\$ 2,667,714</b>	<b>\$ 3,503,676</b>	<b>\$ 168,212</b>	<b>\$ 2,672,824</b>	<b>\$ 9,012,426</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accrued Expenses	\$ 176,672	\$ 0	\$ 0	\$ 103,932	\$ 280,604
Unearned Revenue	113,150	0	0	0	113,150
Due to Other Funds	0	22,491	0	862,240	884,731
Due to Other Governments	643	0	0	0	643
Advance from Other Funds	58,350	0	0	105,588	163,938
Total Liabilities	<u>348,815</u>	<u>22,491</u>	<u>0</u>	<u>1,071,760</u>	<u>1,443,066</u>
<b>Deferred Inflows of Resources:</b>					
Lease Deferrals	0	0	0	49,833	49,833
Unavailable Revenue	31,192	765,917	0	23,485	820,594
Total Deferred Inflows of Resources	<u>31,192</u>	<u>765,917</u>	<u>0</u>	<u>73,318</u>	<u>870,427</u>
<b>Fund Balance:</b>					
Nonspendable	100,941	0	0	2,707	103,648
Restricted	0	2,737,759	0	246,280	2,984,039
Committed	0	0	0	1,036,935	1,036,935
Assigned	246,803	0	168,212	1,171,130	1,586,145
Unassigned	1,939,963	(22,491)	0	(929,306)	988,166
Total Fund Balance	<u>2,287,707</u>	<u>2,715,268</u>	<u>168,212</u>	<u>1,527,746</u>	<u>6,698,933</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,667,714</b>	<b>\$ 3,503,676</b>	<b>\$ 168,212</b>	<b>\$ 2,672,824</b>	<b>\$ 9,012,426</b>

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

CITY OF ANNANDALE, MINNESOTA

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

Total Fund Balances - Governmental Funds	\$ 6,698,933
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	34,473,116
Less: Accumulated depreciation	(23,721,252)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(6,268,000)
Discount/Premiums	(42,510)
Compensated absences payable	(86,197)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	
Delinquent property taxes	31,192
Special assessments	789,402
Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension liability - general employees retirement pension fund	(643,065)
Net pension liability - public employees police and fire pension fund	(1,427,326)
Net pension asset - volunteer firemen's relief pension fund	953,921
Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to pensions	2,011,026
Deferred inflows of resources related to pensions	(849,986)
Governmental funds do not report a liability for accrued interest payable until due and payable.	<u>(65,217)</u>
Total Net Position - Governmental Activities	<u>\$ 11,854,034</u>

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



CITY OF ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2022

	General	Debt Service Funds	Fire Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 1,515,118	\$ 130,000	\$ 0	\$ 2,500	\$ 1,647,618
Franchise Fees	16,240	0	0	0	16,240
Tax Increment	0	0	0	95,459	95,459
Special Assessments	0	140,803	0	0	140,803
Intergovernmental	868,838	0	0	203,363	1,072,201
Licenses and Permits	152,269	0	0	0	152,269
Charges for Services	499,453	0	0	79,407	578,860
Fines and Fees	10,529	0	0	0	10,529
Other Revenues	114,518	0	97,400	361,520	573,438
Investment Earnings	(3,045)	(7,614)	(1,646)	(5,164)	(17,469)
Total Revenues	<u>3,173,920</u>	<u>263,189</u>	<u>95,754</u>	<u>737,085</u>	<u>4,269,948</u>
<b>Expenditures:</b>					
Current:					
General Government	738,877	0	0	31,438	770,315
Public Safety	1,146,414	0	146,840	40,522	1,333,776
Public Works	480,798	0	0	60,393	541,191
Parks and Recreation	182,537	0	0	12,085	194,622
Economic Development	0	0	0	242,744	242,744
Capital Outlay:					
General Government	9,400	0	0	67,829	77,229
Public Safety	1,162	0	675,715	71,070	747,947
Public Works	5,000	0	0	158,629	163,629
Parks and Recreation	19,175	0	0	78,044	97,219
Economic Development	0	0	0	22,729	22,729
Debt Service:					
Principal	0	638,000	0	0	638,000
Interest and Fiscal Fees	0	144,455	14,840	0	159,295
Total Expenditures	<u>2,583,363</u>	<u>782,455</u>	<u>837,395</u>	<u>785,483</u>	<u>4,988,696</u>
Excess of Revenue Over (Under) Expenditures	<u>590,557</u>	<u>(519,266)</u>	<u>(741,641)</u>	<u>(48,398)</u>	<u>(718,748)</u>
<b>Other Financing Sources (Uses):</b>					
Bond Proceeds	0	12,285	604,715	0	617,000
Transfers In	13,152	2,344,095	145,000	669,206	3,171,453
Transfers Out	(870,746)	0	0	(71,612)	(942,358)
Sale of Capital Assets	0	0	9,631	76,358	85,989
Total Other Financing Sources (Uses)	<u>(857,594)</u>	<u>2,356,380</u>	<u>759,346</u>	<u>673,952</u>	<u>2,932,084</u>
Change in Fund Balance	(267,037)	1,837,114	17,705	625,554	2,213,336
Fund Balance - January 1	<u>2,554,744</u>	<u>878,154</u>	<u>150,507</u>	<u>902,192</u>	<u>4,485,597</u>
Fund Balance - December 31	<u>\$ 2,287,707</u>	<u>\$ 2,715,268</u>	<u>\$ 168,212</u>	<u>\$ 1,527,746</u>	<u>\$ 6,698,933</u>

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

CITY OF ANNANDALE, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2022

Net Change in Fund Balances - Governmental Funds \$ 2,213,336

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,074,653
Depreciation expense	(654,938)
Loss on disposed asset	(14,000)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.

Principal repayments	638,000
Bond proceeds	(617,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.

(1,690)

Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

Pension expense	179,568
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Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	19,869
Special assessments	(101,534)

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

Compensated absences	<u>(17,003)</u>
----------------------	-----------------

Change in Net Position - Governmental Activities \$ 2,719,258

## ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 1,528,097	\$ 1,528,097	\$ 1,515,118	\$ (12,979)
Franchise Fees	17,000	17,000	16,240	(760)
Intergovernmental	642,257	642,257	868,838	226,581
Licenses and Permits	80,300	80,300	152,269	71,969
Charges for Services	466,036	466,036	499,453	33,417
Fines	12,200	12,200	10,529	(1,671)
Other Revenues	0	0	114,518	114,518
Investment Earnings	30,000	30,000	(3,045)	(33,045)
Total Revenues	<u>2,775,890</u>	<u>2,775,890</u>	<u>3,173,920</u>	<u>398,030</u>
<b>Expenditures:</b>				
Current:				
General Government	585,944	585,944	738,877	152,933
Public Safety	1,054,058	1,054,058	1,146,414	92,356
Public Works	461,242	461,242	480,798	19,556
Parks and Recreation	164,453	164,453	182,537	18,084
Capital Outlay:				
General Government	2,600	2,600	9,400	6,800
Public Safety	1,500	1,500	1,162	(338)
Public Works	0	0	5,000	5,000
Park and Recreation	0	0	19,175	19,175
Total Expenditures	<u>2,269,797</u>	<u>2,269,797</u>	<u>2,583,363</u>	<u>313,566</u>
Excess of Revenues Over (Under) Expenditures	506,093	506,093	590,557	84,464
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(526,400)	(526,400)	(870,746)	344,346
Transfers In	0	0	13,152	13,152
Total Other Financing Sources (Uses)	<u>(526,400)</u>	<u>(526,400)</u>	<u>(857,594)</u>	<u>(331,194)</u>
Change in Fund Balance	<u>\$ (20,307)</u>	<u>\$ (20,307)</u>	(267,037)	<u>\$ (246,730)</u>
Fund Balance - January 1			<u>2,554,744</u>	
Fund Balance - December 31			<u>\$ 2,287,707</u>	

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

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## CITY OF ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 641,574	\$ 52,342	\$ 26,969
Accounts Receivable	54,522	109,641	23,351
Due from Other Governments	6,275	17,400	0
Prepaid Expense	14,544	14,937	980
Total Current Assets	<u>716,915</u>	<u>194,320</u>	<u>51,300</u>
<b>Noncurrent Assets:</b>			
Advance to Other Funds	58,700	0	0
Special Assessments	2,609	2,609	0
Restricted Cash	0	234,011	0
Equity Interest in Joint Venture	0	6,154,083	0
Capital Assets Not Being Depreciated	143,700	273,144	20,000
Other Capital Asses, Net of Depreciation	4,803,307	3,677,421	253
Total Noncurrent Assets	<u>5,008,316</u>	<u>10,341,268</u>	<u>20,253</u>
Total Assets	<u>5,725,231</u>	<u>10,535,588</u>	<u>71,553</u>
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments	<u>94,318</u>	<u>141,675</u>	<u>18,906</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,819,549</u>	<u>\$ 10,677,263</u>	<u>\$ 90,459</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accrued Expenses	\$ 24,711	\$ 107,668	\$ 18,463
Due to Other Governments	1,786	96,243	1,244
Current Portion of Long-term Debt	285,413	1,028,362	0
Total Current Liabilities	<u>311,910</u>	<u>1,232,273</u>	<u>19,707</u>
<b>Long-term Liabilities:</b>			
Revenue Notes Payable	1,712,632	3,492,709	0
Net Pension Liability	125,445	188,430	25,145
Total Liabilities	<u>2,149,987</u>	<u>4,913,412</u>	<u>44,852</u>
<b>Deferred Inflows of Resources:</b>			
Pension Plan Deferments	<u>37,753</u>	<u>56,708</u>	<u>7,567</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	2,948,961	3,649,494	20,253
Restricted	0	234,011	0
Unrestricted	682,848	1,823,638	17,787
Total Net Position	<u>3,631,809</u>	<u>5,707,143</u>	<u>38,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,819,549</u>	<u>\$ 10,677,263</u>	<u>\$ 90,459</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 6,862	\$ 727,747
4,670	192,184
0	23,675
0	30,461
<u>11,532</u>	<u>974,067</u>
0	58,700
0	5,218
0	234,011
0	6,154,083
0	436,844
2,160,212	10,641,193
<u>2,160,212</u>	<u>17,530,049</u>
2,171,744	18,504,116
0	254,899
<u>\$ 2,171,744</u>	<u>\$ 18,759,015</u>
\$ 0	\$ 150,842
0	99,273
<u>0</u>	<u>1,313,775</u>
0	1,563,890
0	5,205,341
<u>0</u>	<u>339,020</u>
0	7,108,251
0	102,028
2,160,212	8,778,920
0	234,011
11,532	2,535,805
<u>2,171,744</u>	<u>11,548,736</u>
<u>\$ 2,171,744</u>	<u>\$ 18,759,015</u>

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

## CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>Operating Revenues:</b>			
Charges for Services	\$ 651,471	\$ 1,176,791	\$ 216,132
<b>Operating Expenses:</b>			
Personnel Services	173,599	240,333	32,294
Materials and Supplies	79,883	11,735	2,370
Professional Fees	33,546	4,643	1,291
Insurance	13,145	11,004	0
Utilities	55,476	17,976	0
Repairs and Maintenance	22,783	17,782	5,772
Wastewater Commission Charges	0	706,041	0
Contracted Services	3,282	5,649	191,608
Other Charges	13,443	(3,538)	2,130
Depreciation	194,725	136,297	338
Total Operating Expenses	<u>589,882</u>	<u>1,147,922</u>	<u>235,803</u>
Income (Loss) From Operations	61,589	28,869	(19,671)
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Fiscal Charges	(27,098)	(116,503)	0
Reimbursements	32,333	1,200,062	0
Government Grants	0	860,285	0
Access Fees and Other Income	204,041	174,939	5,645
Investment Earnings	(5,901)	(2,663)	(296)
Total Nonoperating Revenues (Expenses)	<u>203,375</u>	<u>2,116,120</u>	<u>5,349</u>
Income (Loss) Before Transfers and Other Items	264,964	2,144,989	(14,322)
<b>Transfers and Other Items</b>			
Capital Contributions	(1,054,566)	(983,529)	0
Change in Equity Interest	0	(426,964)	0
Transfers Out	(55,000)	(104,000)	0
Total Transfers and Other Items	<u>(1,109,566)</u>	<u>(1,514,493)</u>	<u>0</u>
Change in Net Position	(844,602)	630,496	(14,322)
Net Position - January 1	<u>4,476,411</u>	<u>5,076,647</u>	<u>52,362</u>
Net Position - December 31	<u>\$ 3,631,809</u>	<u>\$ 5,707,143</u>	<u>\$ 38,040</u>

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

<u>Business-type Activities -</u>	
<u>Storm Water</u>	
<u>Fund</u>	<u>Totals</u>
\$ 48,099	\$ 2,092,493
0	446,226
0	93,988
639	40,119
0	24,149
0	73,452
0	46,337
0	706,041
0	200,539
175	12,210
88,134	419,494
<u>88,948</u>	<u>2,062,555</u>
(40,849)	29,938
0	(143,601)
6,100	1,238,495
0	860,285
0	384,625
(20)	(8,880)
<u>6,080</u>	<u>2,330,924</u>
(34,769)	2,360,862
0	(2,038,095)
0	(426,964)
(32,000)	(191,000)
<u>(32,000)</u>	<u>(2,656,059)</u>
(66,769)	(295,197)
<u>2,238,513</u>	<u>11,843,933</u>
<u>\$ 2,171,744</u>	<u>\$ 11,548,736</u>

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



## CITY OF ANNANDALE, MINNESOTA

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

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts From Customers and Users	\$ 650,056	\$ 1,180,942	\$ 219,600
Payments to Suppliers	(223,565)	(726,295)	(198,929)
Payments to Employees	(172,147)	(235,817)	(33,054)
Other Receipts (Payments)	236,374	253,661	5,645
Net Cash from Operating Activities	<u>490,718</u>	<u>472,491</u>	<u>(6,738)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payments Received (Paid) on Interfund Loans	15,000	(276,500)	0
Transfers Out	(55,000)	(104,000)	0
Net Cash from Noncapital Financing Activities	<u>(40,000)</u>	<u>(380,500)</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest Paid on Debt	(29,699)	(125,760)	0
Principal Paid on Debt	(250,000)	(1,004,000)	0
Debt Proceeds	99,479	0	0
Government Grants Received	0	91,827	0
Special Assessment Collections	1,044	1,044	0
Wastewater Commission Reimbursements	0	1,113,840	0
Sales of Capital Assets	0	7,500	0
Acquisition and Construction of Capital Assets	(76,819)	(82,078)	0
Net Cash from Capital and Related Financing Activities	<u>(255,995)</u>	<u>2,373</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received (Paid)	<u>(5,901)</u>	<u>(2,663)</u>	<u>(296)</u>
Net Change in Cash and Cash Equivalents	188,822	91,701	(7,034)
Cash and Cash Equivalents - January 1	452,752	194,652	34,003
Cash and Cash Equivalents - December 31	<u>\$ 641,574</u>	<u>\$ 286,353</u>	<u>\$ 26,969</u>
Cash and Cash Equivalents			
Unrestricted	\$ 641,574	\$ 52,342	\$ 26,969
Restricted	<u>0</u>	<u>234,011</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 641,574</u>	<u>\$ 286,353</u>	<u>\$ 26,969</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>			
Income (Loss) from Operations	\$ 61,589	\$ 28,869	\$ (19,671)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Other Receipts (Payments)	236,374	253,661	5,645
Depreciation Expense	194,725	136,297	338
(Increase) Decrease in Accounts Receivable	(926)	(541)	(205)
(Increase) Decrease in Due from Other Governments	(489)	4,692	3,673
(Increase) Decrease in Prepaid Expense	(4,715)	(1,936)	224
Increase (Decrease) in Due to Other Governments	1,786	45,171	1,244
Increase (Decrease) in Pension Resources	(1,492)	(391)	(995)
Increase (Decrease) in Accrued Expenses	3,866	6,669	3,009
Net Cash from Operating Activities	<u>\$ 490,718</u>	<u>\$ 472,491</u>	<u>\$ (6,738)</u>

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

Business-type Activities -	
Storm Water	
Fund	Totals
\$ 48,038	\$ 2,098,636
(814)	(1,149,603)
0	(441,018)
6,100	501,780
<u>53,324</u>	<u>1,009,795</u>
(17,718)	(279,218)
(32,000)	(191,000)
<u>(49,718)</u>	<u>(470,218)</u>
0	(155,459)
0	(1,254,000)
0	99,479
0	91,827
0	2,088
0	1,113,840
0	7,500
0	(158,897)
<u>0</u>	<u>(253,622)</u>
(20)	(8,880)
3,586	277,075
3,276	684,683
<u>\$ 6,862</u>	<u>\$ 961,758</u>
\$ 6,862	\$ 727,747
<u>0</u>	<u>234,011</u>
<u>\$ 6,862</u>	<u>\$ 961,758</u>
\$ (40,849)	\$ 29,938
6,100	501,780
88,134	419,494
(61)	(1,733)
0	7,876
0	(6,427)
0	48,201
0	(2,878)
0	13,544
<u>\$ 53,324</u>	<u>\$ 1,009,795</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting entity**

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

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is financially accountable.

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

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

***Housing and Redevelopment Authority.*** The Annandale House and Redevelopment Authority (the HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board is comprised of all five members of the City Council. Separate financial statements are issued for this component unit.

**B. Government-wide and fund financial statements**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Fire Equipment fund* is for capital purchase of equipment related to fire protection.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City reports the following major proprietary funds:

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

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

The *Refuse fund* accounts for the costs associated with refuse collection within the City.

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

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

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

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

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

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

***Deposits and investments***

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.
4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

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

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

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

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

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

See Note 3 for the City's recurring fair value measurements as of December 31, 2022. The City has adopted a formal investment policy.

***Property taxes***

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Notes receivable***

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

***Special assessments***

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

***Land held for resale***

Land held for resale is carried at the lower of cost or net realizable value.

***Inventory and Prepaid items***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

***Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

***Capital assets***

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

<u>Assets</u>	<u>Capitalization Threshold</u>
Land improvements	\$ 10,000
Buildings and improvements	25,000
Infrastructure	100,000
Machinery and equipment	5,000

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

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

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

***Compensated absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time-off or some other means. The liability for vacation benefits is recorded as part of long-term obligations. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees that have reached ten years of service by age 50. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

***Postemployment benefits other than pensions (OPEB)***

Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. Employees of the City pay health care premiums based on level of coverage, without consideration of age. The City's personnel policy does not provide for any contributions upon employee retirement; thus, the City does not expect any future retirees to elect to continue coverage and has no experience with past retirees electing coverage. The implicit rate subsidy factor in postemployment health care expenses is considered immaterial, therefore, no liability is accrued for OPEB.

***Deferred outflows/inflows of resources***

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



NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

***Unearned Revenue***

Unearned revenues are those for which resources are received by the City before it has a legal claim against them. The City has reported unearned revenues for prepaid service revenues in the governmental funds.

***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), Annandale Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PERA has a special funding situation for their public employees police and fire pension funds. The State of Minnesota contributes \$9 million annually on October 1 until both PEPFP and MSRS State Patrol become 90% funded (on a Market Value of Asset Basis).

***Long-term obligations***

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

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

***Leases******Lease receivables***

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

*Lease liabilities*

The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in note 3.

***Net position***

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

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

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

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of between 40 - 50 percent of budgeted operating expenditures for cash-flow timing needs.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary information**

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

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

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

**B. Excess of Expenditures over Appropriations**

For the year ended December 31, 2022, the General fund had expenditures over appropriations of \$313,566. Excess expenditures over appropriations was funded with additional revenues.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

**C. Deficit Fund Equity**

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Nonmajor - Special Revenue	
Tax Abatement	\$ 8,291
TIF District No. 6	86
TIF District No. 15	203
Training Center	226,512
Woodlawn Cemetery	76,077
Nonmajor - Capital Projects	
Hemlock Project	560,159
Highway 55 Improvement	55,985
Debt Service	
G.O. Capital Improvement Plan Refunding Bonds of 2008A	5,403
G.O. Equipment Certificates of 2016A	17,088

The fund deficits are planned to be eliminated with future interfund transfers.

Note 3 DETAILED NOTES ON ALL FUNDS

**A. Deposits and investments**

*Deposits*

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency

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

On December 31, 2022, the carrying amount of deposits was \$4,058,647 and the bank balance was \$4,150,466. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City’s agent in the City’s name.

**Investments**

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

*Custodial Credit Risk* – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

*Credit Risk* – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A.07 limits the City’s investments.

*Concentration Risk* – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies do not address concentration risk.

Negotiable certificates of deposit

Beal Bank	\$	250,000
PNC Bank		175,000
Wells Fargo		175,000
Ally Bank		435,765
Barclays Bank		250,710
Manufacture & Traders		249,663
Enerbank USA		151,291
BMO Harris		230,234
BMW Bank of America		168,590

Nonnegotiable certificates of deposit

Lake Central Bank, Annandale		252,229
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*Interest Rate Risk* – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not limit the maturities of investments; however, when purchasing investments, the City considers such things as interest rates and cash flow needs.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Pooled investment at amortized cost						
Broker money market funds	N/R	N/R	N/A	N/A	N/A	\$ 9,421
Minnesota municipal money market fund liquid class	N/R	N/R	NAV	N/A	N/A	37,544
Minnesota municipal money market fundmax class	N/R	N/R	NAV	N/A	N/A	2,757
Investment pools						
Negotiable certificates of deposit	N/R	N/R	Level 2	861,262	1,728,222	2,589,484
Nonpooled investments						
Non-negotiable certificates of deposit	N/R	N/R	Level 2	252,229	-	252,229
<b>Total investments</b>						<b>\$ 2,891,435</b>

The City’s investment in certain money market funds is measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For U.S. Government money market investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice. For 4M Fund investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

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

	Primary Government
Cash and Cash equivalents	\$ 4,058,647
Investments	2,891,435
Total Cash and investment	<u>\$ 6,950,082</u>
Unrestricted cash and investments	\$ 6,716,071
Restricted cash and investments	234,011
Total cash and investments	<u>\$ 6,950,082</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**B. Receivables**

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

Intergovernmental and accounts receivables on the statement of net position consist of the following:

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
Charges for services	\$ 196,837	\$ -	\$ 196,837
Wastewater commission reimbursement	58,049	-	58,049
Other reimbursements	3,517	-	3,517
DMV commissions	12,104	-	12,104
Rental fees	2,175	-	2,175
Franchise fees	1,287	-	1,287
Total	\$ 273,969	\$ -	\$ 273,969

The City, through an award from the Minnesota Department of Economic Development, has established a revolving loan program. Revolving loans were made to various commercial entities to assist with canopy removal and storefront façade improvements in 2021. These notes all carry an interest rate of 2% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position is \$54,607.

The City also received an award from the Minnesota Investment Fund to provide a partially forgivable note to a local business to assist with a facility expansion and to create or retain full-time employees. This note carries an interest rate of 0% and is collectible in monthly installments maturing in 2028. There is no collateral securing these notes and no allowance has been established. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance. The balance of these notes on the Statement of Net Position is \$55,714.

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

	Unavailable	Unearned
Special assessments not yet due	\$ 789,995	\$ -
Delinquent special assessments	6,383	-
Delinquent property taxes	24,216	-
Various escrows	-	113,150
Total deferred inflows of resources/unearned revenue	\$ 820,594	\$ 113,150

The only receivables not expected to be collectible within one year are \$15,000 of delinquent taxes and \$734,000 of special assessments.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**C. Lease Receivables**

The City, acting as lessor, leases certain real property under long-term, noncancelable lease agreements. The leases contain discount rates of 4.00% and expire at various dates through December 2025 and provide for renewal options ranging from five to seventy years. During the year ended December 31, 2022, the City recognized \$25,164 and \$2,703 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2023	\$ 26,626	\$ 1,835
2024	12,014	762
2025	12,503	273
Total	<u>\$ 51,143</u>	<u>\$ 2,870</u>

**D. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,463,708	\$ -	\$ -	\$ 2,463,708
Construction in progress	585,422	99,381	-	684,803
Total capital assets not being depreciated	<u>3,049,130</u>	<u>99,381</u>	<u>-</u>	<u>3,148,511</u>
Capital assets being depreciated				
Buildings and Improvements	5,056,413	69,870	-	5,126,283
Infrastructure	22,585,645	-	-	22,585,645
Machinery and equipment	2,830,983	905,402	(123,708)	3,612,677
Total capital assets being depreciated	<u>30,473,041</u>	<u>975,272</u>	<u>(123,708)</u>	<u>31,324,605</u>
Less accumulated depreciation for				
Buildings and Improvements	(2,558,433)	(144,648)	-	(2,703,081)
Infrastructure	(18,698,792)	(332,605)	-	(19,031,397)
Machinery and equipment	(1,918,797)	(177,685)	109,708	(1,986,774)
Total accumulated depreciation	<u>(23,176,022)</u>	<u>(654,938)</u>	<u>109,708</u>	<u>(23,721,252)</u>
Total capital assets being depreciated, net	<u>7,297,019</u>	<u>320,334</u>	<u>(14,000)</u>	<u>7,603,353</u>
Governmental activities capital assets, net	<u>\$ 10,346,149</u>	<u>\$ 419,715</u>	<u>\$ (14,000)</u>	<u>\$ 10,751,864</u>



CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 277,948	\$ -	\$ -	\$ 277,948
Construction in progress	-	158,896	-	158,896
Total capital assets not being depreciated	<u>277,948</u>	<u>158,896</u>	<u>-</u>	<u>436,844</u>
Capital assets being depreciated				
Buildings and improvements	4,187,883	-	-	4,187,883
Distribution system	13,028,819	-	-	13,028,819
Machinery and equipment	320,753	-	-	320,753
Total capital assets being depreciated	<u>17,537,455</u>	<u>-</u>	<u>-</u>	<u>17,537,455</u>
Less accumulated depreciation for				
Buildings and improvements	(1,880,922)	(92,234)	-	(1,973,156)
Distribution system	(4,339,537)	(314,751)	-	(4,654,288)
Machinery and equipment	(256,309)	(12,509)	-	(268,818)
Total accumulated depreciation	<u>(6,476,768)</u>	<u>(419,494)</u>	<u>-</u>	<u>(6,896,262)</u>
Total capital assets being depreciated, net	<u>11,060,687</u>	<u>(419,494)</u>	<u>-</u>	<u>10,641,193</u>
Business-type activities capital assets, net	<u>\$ 11,338,635</u>	<u>\$ (260,598)</u>	<u>\$ -</u>	<u>\$ 11,078,037</u>

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

<b>Governmental activities</b>	
General government	\$ 114,942
Public safety	154,263
Public works	383,404
Parks and recreation	<u>2,329</u>
Total depreciation expense - governmental activities	<u>\$ 654,938</u>
<b>Business-type activities</b>	
Water	\$ 194,725
Sewer	136,297
Refuse	338
Storm water	<u>88,134</u>
Total depreciation expense - business-type activities	<u>\$ 419,494</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**E. Long-term debt**

General Obligation Revenue Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue					
Note of 2004	\$ 3,273,194	2.82%	3/4/04	8/20/23	\$ 210,000
G.O. Wastewater Revenue					
Note of 2007	16,036,613	2.22%	9/26/07	8/20/26	4,220,000
G.O. Water Revenue					
Note of 2015	929,105	1.03	9/23/15	8/20/35	634,000
G.O. Wastewater Revenue					
Note of 2015	125,359	1.00	9/23/15	8/20/35	86,000
G.O. Water Revenue					
Note of 2022	1,358,413	2.00	12/16/22	2/1/42	1,154,045
G.O. Sewer Revenue					
Note of 2022	253,362	2.00	12/16/22	2/1/42	<u>215,071</u>
Total general obligation revenue notes					<u>\$ 6,519,116</u>

General Obligation Tax Increment Bonds

The City issues general obligation tax increment bonds for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt. General obligation tax increment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment					
Bonds of 2019A	\$ 755,000	3.65%	8/20/19	2/1/39	<u>\$ 710,000</u>
Total G.O. tax increment bonds					<u>\$ 710,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Improvement Bonds/Notes

The City issues general obligation improvement bonds/notes to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2008B	\$ 1,175,000	3.00 - 4.125%	2/1/19	2/1/24	\$ 205,000
G.O. Improvement					
Note of 2011A	1,217,500	1.96%	6/29/11	2/1/31	608,000
G.O. Refunding					
Bonds of 2019B	1,040,000	2.00 - 3.00	11/3/19	2/1/32	895,000
G.O. Temporary Improvement					
Bonds of 2020A	2,880,000	2.00	3/17/20	2/1/23	2,880,000
G.O. Improvement Refunding					
Bonds of 2020B	400,000	1.53	11/9/20	2/1/36	<u>353,000</u>
Total general obligation special assessment bonds/notes					<u>\$ 4,941,000</u>

General Obligation Bonds/Certificates

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment					
Certificate of 2022A	\$ 617,000	2.25%	4/1/22	2/1/31	<u>\$ 617,000</u>
Total general obligation bonds/certificates					<u>\$ 617,000</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 3,180,000	\$ 119,016	\$ 3,299,016	\$ 1,313,775	\$ 128,165	\$ 1,441,940
2024	378,000	75,318	453,318	1,159,000	110,103	1,269,103
2025	281,000	66,174	347,174	1,184,000	85,121	1,269,121
2026	285,000	59,048	344,048	1,211,000	59,597	1,270,597
2027	298,000	52,146	350,146	123,000	33,479	156,479
2028-2032	1,432,000	153,223	1,585,223	644,000	137,493	781,493
2033-2037	334,000	37,243	371,243	577,000	85,115	662,115
2038-2042	80,000	2,920	82,920	444,000	39,180	483,180
2043-2047	-	-	-	50,000	9,675	59,675
2048-2052	-	-	-	56,000	3,826	59,826
2053*	-	-	-	(242,659)	-	(242,659)
<b>Total</b>	<b>\$ 6,268,000</b>	<b>\$ 565,088</b>	<b>\$ 6,833,088</b>	<b>\$ 6,519,116</b>	<b>\$ 691,754</b>	<b>\$ 7,210,870</b>

\* Authorized but not yet issued

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
GO special assessment bonds	\$ 5,464,000	\$ -	\$ (523,000)	\$ 4,941,000	\$ 3,145,000
GO tax increment bonds	745,000	-	(35,000)	710,000	35,000
GO bonds/certificates	80,000	617,000	(80,000)	617,000	-
Bond Premiums/discounts	43,355	-	(845)	42,510	-
Total GO Debt	6,332,355	617,000	(638,845)	6,310,510	3,180,000
Net pension liability	532,230	2,073,708	(535,547)	2,070,391	-
Compensated absences	69,193	86,197	(69,193)	86,197	-
Governmental activity long-term liabilities	<u>\$ 6,933,778</u>	<u>\$ 2,776,905</u>	<u>\$ (1,243,585)</u>	<u>\$ 8,467,098</u>	<u>\$ 3,180,000</u>
<b>Business-type activities:</b>					
GO revenue notes	\$ 6,404,000	\$ 1,369,116	\$ (1,254,000)	\$ 6,519,116	\$ 1,313,775
Net pension liability	168,314	391,233	(220,527)	339,020	-
Business-type activity long-term liabilities	<u>\$ 6,572,314</u>	<u>\$ 1,760,349</u>	<u>\$ (1,474,527)</u>	<u>\$ 6,858,136</u>	<u>\$ 1,313,775</u>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Conduit debt obligation

During 2015, the City entered into an agreement to authorize and sell revenue bonds in the form of notes or other obligations for the purpose of refinancing the cost of the acquisition, construction and equipping of certain senior housing assisted living facilities. Annandale Care Center (nonprofit corp.) issued \$9,300,000 in Health Care Revenue Refunding Bonds of 2015A using the City’s bonding rights. The balance outstanding at December 31, 2022 is 1,020,000. The City is in no way liable for the repayment of these bonds.

**F. Interfund receivables, payables, and transfers**

Interfund transfers

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

<u>Transferred From</u>	<u>Transferred To</u>			
	<u>Debt Service</u>	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General	\$ 68,000	\$ -	\$ 802,746	\$ 870,746
Nonmajor Governmental	47,000	13,152	11,460	71,612
Water	1,109,566			1,109,566
Sewer	1,087,529			1,087,529
Storm Water	32,000			32,000
<b>Total</b>	<b>\$ 2,344,095</b>	<b>\$ 13,152</b>	<b>\$ 814,206</b>	<b>\$ 3,171,453</b>

The purpose of the above transfers was to provide funding for debt service, debt service refunding close outs, and operating purposes.

Internal Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 22,491
General	Nonmajor Governmental	862,240
Nonmajor Governmental	General	58,350
Nonmajor Governmental	Nonmajor Governmental	46,888
Water	Nonmajor Governmental	58,700
<b>Total</b>		<b>\$ 1,048,669</b>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances present at year-end.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

**G. Net Position/Fund Balance**

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2022, included the following:

	General	Debt Service Funds	Fire Equipment	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	\$ 100,941	\$ -	\$ -	\$ 2,707	\$ 103,648
Restricted:					
Capital projects	-	-	-	54,489	54,489
Debt service	-	2,737,759	-	-	2,737,759
Charitable gambling	-	-	-	11,759	11,759
TIF 1-14	-	-	-	48,430	48,430
Revolving loans	-	-	-	131,602	131,602
Total restricted	-	2,737,759	-	246,280	2,984,039
Committed:					
Economic development	-	-	-	1,036,935	1,036,935
Assigned:					
Dept of motor vehicles	246,803	-	-	-	246,803
Lions donations	-	-	-	283,661	283,661
Fire equipment	-	-	168,212	-	168,212
Park	-	-	-	69,013	69,013
Rec facility	-	-	-	32,785	32,785
Street maintenance	-	-	-	141,394	141,394
Street capital	-	-	-	133,811	133,811
Public works	-	-	-	197,122	197,122
Police equipment	-	-	-	544	544
Capital projects	-	-	-	132,777	132,777
Building capital	-	-	-	180,023	180,023
Total assigned	246,803	-	168,212	1,171,130	1,586,145
Unassigned:					
General fund	1,939,963	-	-	-	1,939,963
TIF 1-6	-	-	-	(86)	(86)
TIF 1-15	-	-	-	(203)	(203)
Tax abatement Dingmann	-	-	-	(8,291)	(8,291)
Training center	-	-	-	(227,492)	(227,492)
Capital Project	-	-	-	(616,144)	(616,144)
Debt service	-	(22,491)	-	-	(22,491)
Cemetery	-	-	-	(77,090)	(77,090)
Total unassigned	1,939,963	(22,491)	-	(929,306)	988,166
<b>Total fund balance</b>	<b>\$ 2,287,707</b>	<b>\$ 2,715,268</b>	<b>\$ 168,212</b>	<b>\$ 1,527,746</b>	<b>\$ 6,698,933</b>

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

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

Net Investment in Capital Assets:

Land	\$ 2,463,708
Construction in progress	684,803
Buildings	5,126,283
Infrastructure	22,585,645
Machinery and equipment	3,612,677
Less: accumulated depreciation	(23,721,252)
Less: long-term debt outstanding	(6,268,000)
Less: bond premiums	(48,006)
Add: bond discounts	5,495
Total Net Investment in Capital Assets	<u>4,441,352</u>

Restricted for:

Debt Service	3,415,967
Tax increment financing	191,791
Capital projects	54,489
Total restricted	<u>3,662,247</u>

Unrestricted

3,750,435

Total Governmental Activities Net Position \$ 11,854,034

Business-type Activities Net Position

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

Net Investment in Capital Assets:

Land	\$ 277,948
Construction in progress	158,896
Buildings	4,187,883
Infrastructure	13,028,819
Machinery and equipment	320,753
Less: accumulated depreciation	(6,896,262)
Less: long-term debt outstanding	(2,299,116)
Total Net Investment in Capital Assets	<u>8,778,920</u>

Restricted for:

Capital replacement reserve	234,011
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Unrestricted

2,535,805

Total Business-type Activities Net Position \$ 11,548,736

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION****A. Plan Description**

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

*General Employees Retirement Plan (GERP)*

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

*Public Employees Police and Fire Fund (PEFPF)*

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

**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.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

*PEFPF Benefits*

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



CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

**C. Contributions**

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

*GERP Contributions*

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$70,750. The City's contributions were equal to the required contributions as set by state statute.

*PEPPF Contributions*

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$70,935. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

*GERP Pension Costs*

On December 31, 2022, the City reported a liability of \$982,084 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$28,648.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0124% which was an increase of 0.0014% from its proportion measured as of June 30, 2021. For the year ended December 31, 2022, the City recognized pension expense of \$11,692 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$4,281 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

On December 31, 2022, the City reported its proportionate share of GERP’s deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,519	\$ 7,969
Differences between projected and actual investment earnings	392,591	285,424
Changes in actuarial assumptions	221,918	2,166
Changes in proportion	80,193	-
City's contributions subsequent to the measurement date	35,179	-
Total	\$ 738,400	\$ 295,559

\$35,179 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 152,475
2024	147,569
2025	18,942
2026	88,676
2027	-
Thereafter	-

*PEPPF Pension Costs*

On December 31, 2022, the City reported a liability of \$1,427,326 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. On June 30, 2022, the City’s proportion was 0.0328% which was an increase of 0.0029% from its proportion measured as of June 30, 2021.

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the City recognized pension expense of \$(61,741) for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$12,083 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,952 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

On December 31, 2022, the City reported its proportionate share of the PEPFP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 87,837	\$ 643
Differences between projected and actual investment earnings	416,978	325,704
Changes in actuarial assumptions	836,312	4,617
Changes in proportion	42,813	40,149
City's contributions subsequent to the measurement date	35,876	-
Total	\$ 1,419,816	\$ 371,113

\$35,876 reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 205,452
2024	197,730
2025	185,650
2026	298,530
2027	125,465
Thereafter	-

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

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

**Key Methods and Assumptions Used in Valuation of Total Pension Liability****Actuarial Information:**

Measurement Date	June 30, 2022
Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2022, actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

**F. Discount Rate**

*GERP*

The discount rate used to measure the total pension liability in 2022 was 6.50. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*PEPFP*

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

**G. Pension Liability Sensitivity**

*GERP and PEPFP*

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

<b>City's proportionate share of NPL</b>				
<u>Plan</u>		<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>
	Rate	5.50%	6.50%	7.50%
Proportionate share of the GERP net pension liability:		\$ 1,551,253	\$ 982,084	\$ 515,278
		<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>
	Rate	4.40%	5.40%	6.40%
Proportionate share of the PEPFP net pension liability:		\$ 2,160,075	\$ 1,427,326	\$ 834,943

**H. Pension Plan Fiduciary Net Position**

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

**VOLUNTEER FIRE RELIEF ASSOCIATION**

**A. Plan Description**

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

The Association issues a publicly available financial report. The report may be obtained by writing to Annandale Fire Relief Association, P.O. Box K Annandale, Minnesota 55302.

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

If a member is terminated prior to age 50 with at least 5 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 5 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Summary of Participant Data	
Active members	24
Inactive members entitled to future benefits	16
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	40

***B. Benefits Provided***

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$2,800 (effective January 1, 2020) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

***C. Contributions***

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$61,175 in fire state aid to the plan for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2022. In addition, the City made voluntary contributions of \$3,000 to the plan.

***D. Pension Costs***

On December 31, 2021, the Association reported an asset of \$953,921. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at Previous Fiscal Year 12/31/2020</b>	\$ 577,027	\$ 1,346,110	\$ (769,083)
<b>Changes for the year:</b>			
Service cost	29,882	-	29,882
Interest	34,897	-	34,897
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	59,319	(59,319)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	199,663	(199,663)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	(9,365)	9,365
Other deductions (e.g. payables)	-	-	-
<b>Net changes</b>	<u>64,779</u>	<u>249,617</u>	<u>(184,838)</u>
<b>Balance at Current Fiscal Year 12/31/2021</b>	<u>\$ 641,806</u>	<u>\$ 1,595,727</u>	<u>\$ (953,921)</u>

There were no plan provision changes during the measurement period.

For the year ended December 31, 2022, the City recognized pension expense of \$(132,396).

On December 31, 2021, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 64,050
Differences between projected and actual investment earnings	35,218	219,510
Changes in actuarial assumptions	8,316	1,782
City's contributions subsequent to the measurement date	64,175	-
<b>Total</b>	<u>\$ 107,709</u>	<u>\$ 285,342</u>



CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$64,175 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ (52,232)
2024	(87,450)
2025	(59,507)
2026	(35,897)
2027	(6,722)
Thereafter	-

**E. Actuarial Assumptions**

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information:**

Measurement Date	December 31, 2021
Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	5.75%
Inflation	2.25% per year
Lump Sum Benefit Increase	N/A*

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

Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2021, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2020.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2021:

- None

The long-term expected rate of return on pension plan investments is 5.75%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

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

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

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	60.0%	4.90%	7.15%
International Equity	10.0%	5.32%	7.57%
Fixed Income	20.0%	1.40%	3.65%
Real estate and alternative	5.0%	4.43%	6.68%
Cash and equivalents	5.0%	0.09%	2.34%
Total	<u>100.00%</u>		6.55%
Reduced for assumed investment expense			<u>(0.80%)</u>
Net assumed investment return			<u>5.75%</u>

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation.” The actuary believes that the plan’s current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan’s long-term expected investment return as the liability discount rate.

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

**G. Pension Liability Sensitivity**

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

Association’s Net Pension Asset		
1 Percent Decrease	Current	1 Percent Increase
4.75%	5.75%	6.75%
\$ 931,725	\$ 953,921	\$ 975,125

**H. Pension Plan Fiduciary Net Position**

Detailed information about the relief association’s defined benefit pension plan’s fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Annandale at P.O. Box K Annandale, Minnesota, 55302.

Note 5 OTHER INFORMATION

**A. Risk management**

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

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

**B. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has \$617,000 of debt outstanding subjected to this limit on December 31, 2022.

**C. Tax increment districts**

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

CITY OF ANNANDALE, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 5 OTHER INFORMATION – (Continued)

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota through Local Government Aid (LGA). The amount received in 2022 was \$542,757 for LGA. This accounted for 17 percent of General fund revenues.

**E. Joint ventures**

In September 2003, the City entered into a joint powers agreement with the City of Maple Lake to establish the Annandale-Maple Lake Wastewater Commission (the “Commission”). The purpose of the Commission is to make available wastewater treatment within the present and future boundaries of the Cities, and to serve such other areas as the Commission approves. As part of the joint venture, the City of Annandale agrees to fund the Debt Service and Operating Funds of the Commission according to the terms of the agreement. The agreement states a City may terminate the agreement by written notice to the other City. In such an event, the City of Annandale shall pay 60% of all costs incurred, except each City shall pay its own attorney’s fee. In 2008, both Cities approved amending the joint powers agreement to include the City of Howard Lake, effective January 1, 2009. Each City will then have a one-third equity interest in the Commission. Because there is an explicit measurable equity interest in the joint venture, the interest is reported in the government-wide financial statements, as well as in the Sewer Fund.

Note 6 PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The City participates in the Deferred Compensation Plan, a voluntary savings plan administered by Aspire Financial Services LLC for eligible employees. The Deferred Compensation Plan is a tax qualified plan under Section 457 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 352.965, established the Deferred Compensation Plan. An eligible employee who decides to participate contributes a minimum of one percent of salary. Total contributions made by the City during fiscal years 2022 and 2021, were \$27,202 and \$18,306, respectively.

Note 7 ADOPTION OF NEW STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the City reporting a lease receivable as and a deferred inflow of resources as disclosed in Note 3.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNANDALE, MINNESOTA

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

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0124%	\$ 982,084	\$ 28,648	\$ 1,010,732	\$ 876,126	115.4%	76.7%
12/31/2021	6/30/2021	0.0110%	\$ 469,749	\$ 14,300	\$ 484,049	\$ 763,413	63.4%	87.0%
12/31/2020	6/30/2020	0.0105%	\$ 629,523	\$ 19,370	\$ 648,893	\$ 737,132	88.0%	79.1%
12/31/2019	6/30/2019	0.0101%	\$ 558,406	\$ 17,333	\$ 575,739	\$ 677,402	85.0%	80.2%
12/31/2018	6/30/2018	0.0098%	\$ 543,664	\$ 17,795	\$ 561,459	\$ 658,161	85.3%	79.5%
12/31/2017	6/30/2017	0.0100%	\$ 638,393	\$ 8,040	\$ 646,433	\$ 647,524	99.8%	75.9%
12/31/2016	6/30/2016	0.0099%	\$ 803,831	\$ 10,468	\$ 814,299	\$ 610,663	133.3%	68.9%
12/31/2015	6/30/2015	0.0102%	\$ 528,617	\$ -	\$ 528,617	\$ 605,733	87.3%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS  
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN  
 Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 69,551	\$ 69,551	\$ -	\$ 927,347	7.50%
12/31/2021	6/30/2021	\$ 59,182	\$ 59,182	\$ -	\$ 789,093	7.50%
12/31/2020	6/30/2020	\$ 56,259	\$ 56,259	\$ -	\$ 750,120	7.50%
12/31/2019	6/30/2019	\$ 53,542	\$ 53,542	\$ -	\$ 713,893	7.50%
12/31/2018	6/30/2018	\$ 50,226	\$ 50,226	\$ -	\$ 669,680	7.50%
12/31/2017	6/30/2017	\$ 48,886	\$ 48,886	\$ -	\$ 651,813	7.50%
12/31/2016	6/30/2016	\$ 46,583	\$ 46,583	\$ -	\$ 621,107	7.50%
12/31/2015	6/30/2015	\$ 45,426	\$ 45,426	\$ -	\$ 605,680	7.50%

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN  
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0328%	\$ 1,427,326	\$ 62,294	\$ 1,489,620	\$ 425,828	349.8%	70.5%
12/31/2021	6/30/2021	0.0299%	\$ 230,796	\$ 10,361	\$ 241,157	\$ 408,370	59.1%	93.7%
12/31/2020	6/30/2020	0.0322%	\$ 424,430	\$ 10,001	\$ 434,431	\$ 400,848	108.4%	87.2%
12/31/2019	6/30/2019	0.0345%	\$ 367,287	\$ -	\$ 367,287	\$ 377,813	97.2%	89.3%
12/31/2018	6/30/2018	0.0329%	\$ 350,680	\$ -	\$ 350,680	\$ 346,636	101.2%	88.8%
12/31/2017	6/30/2017	0.0330%	\$ 445,539	\$ -	\$ 445,539	\$ 339,010	131.4%	85.4%
12/31/2016	6/30/2016	0.0341%	\$ 1,364,479	\$ -	\$ 1,364,479	\$ 322,596	423.0%	63.9%
12/31/2015	6/30/2015	0.0344%	\$ 386,320	\$ -	\$ 386,320	\$ 317,917	121.5%	86.6%

SCHEDULE OF CITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN  
Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 70,506	\$ 70,506	\$ -	\$ 435,222	17.70%
12/31/2021	6/30/2021	\$ 62,469	\$ 62,469	\$ -	\$ 385,611	17.70%
12/31/2020	6/30/2020	\$ 62,982	\$ 62,982	\$ -	\$ 388,778	17.70%
12/31/2019	6/30/2019	\$ 60,357	\$ 60,357	\$ -	\$ 372,574	16.95%
12/31/2018	6/30/2018	\$ 56,155	\$ 56,155	\$ -	\$ 346,636	16.20%
12/31/2017	6/30/2017	\$ 54,582	\$ 54,582	\$ -	\$ 336,926	16.20%
12/31/2016	6/30/2016	\$ 53,163	\$ 53,163	\$ -	\$ 328,167	16.20%
12/31/2015	6/30/2015	\$ 49,642	\$ 49,642	\$ -	\$ 306,432	16.20%

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ANNANDALE FIRE RELIEF ASSOCIATION  
(Last 10 Fiscal Years)

<b>Total Pension Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Service cost	\$ 29,882	\$ 30,025	\$ 29,293	\$ 29,477	\$ 26,727	\$ 26,915	\$ 21,845	\$ 21,260
Interest	34,897	36,329	35,646	36,852	34,955	33,085	27,615	24,816
Difference between expected and actual experience	-	(73,779)	-	(22,353)	28,893	-	40,156	-
Changes of assumptions	-	3,042	-	13,012	-	(7,074)	-	-
Changes in benefit terms	-	33,435	-	-	-	(4,866)	-	-
Benefit payments, including member contribution refunds	-	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
<b>Net change in total pension liability</b>	<b>64,779</b>	<b>(78,548)</b>	<b>64,939</b>	<b>3,988</b>	<b>17,602</b>	<b>41,020</b>	<b>89,616</b>	<b>46,076</b>
<b>Total Pension Liability - beginning</b>	<b>577,027</b>	<b>655,575</b>	<b>590,636</b>	<b>586,648</b>	<b>569,046</b>	<b>528,026</b>	<b>438,410</b>	<b>392,334</b>
<b>Total Pension Liability - ending</b>	<b>\$ 641,806</b>	<b>\$ 577,027</b>	<b>\$ 655,575</b>	<b>\$ 590,636</b>	<b>\$ 586,648</b>	<b>\$ 569,046</b>	<b>\$ 528,026</b>	<b>\$ 438,410</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - state and local	\$ 59,319	\$ 56,621	\$ 54,530	\$ 55,196	\$ 50,693	\$ 50,325	\$ 49,939	\$ 47,712
Contributions - donation and other income	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-	-
Net investment income	199,663	178,733	192,904	(109,391)	126,216	69,161	(34,736)	46,976
Other additions (e.g. receivable)	-	99	-	150	-	-	-	-
Benefit payments, including member contribution refunds	-	(107,600)	-	(53,000)	(72,973)	(7,040)	-	-
Administrative expenses	(9,365)	(8,445)	(9,772)	(8,509)	(8,416)	(7,920)	(7,166)	(3,768)
Other deductions (e.g. payables)	-	-	-	-	-	-	-	(275)
<b>Net change in plan fiduciary net position</b>	<b>249,617</b>	<b>119,408</b>	<b>237,662</b>	<b>(115,554)</b>	<b>95,520</b>	<b>104,526</b>	<b>8,037</b>	<b>90,645</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>1,346,110</b>	<b>1,226,702</b>	<b>989,040</b>	<b>1,104,594</b>	<b>1,009,074</b>	<b>904,548</b>	<b>896,511</b>	<b>805,866</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 1,595,727</b>	<b>\$ 1,346,110</b>	<b>\$ 1,226,702</b>	<b>\$ 989,040</b>	<b>\$ 1,104,594</b>	<b>\$ 1,009,074</b>	<b>\$ 904,548</b>	<b>\$ 896,511</b>
<b>Net Pension (Asset) Liability - ending</b>	<b>\$ (953,921)</b>	<b>\$ (769,083)</b>	<b>\$ (571,127)</b>	<b>\$ (398,404)</b>	<b>\$ (517,946)</b>	<b>\$ (440,028)</b>	<b>\$ (376,522)</b>	<b>\$ (458,101)</b>
<b>FNP as a percentage of the TPL</b>	<b>248.63%</b>	<b>233.28%</b>	<b>187.12%</b>	<b>167.45%</b>	<b>188.29%</b>	<b>177.33%</b>	<b>171.31%</b>	<b>204.49%</b>

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



CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL  
 ANNANDALE FIRE RELIEF ASSOCIATION  
 (Last 10 Fiscal Years)

<b>Fiscal year ending</b>	<b>Actuarially determined contribution</b>	<b>Contributions in relation to the ADC</b>	<b>Contribution deficiency (excess)</b>	<b>Payroll</b>	<b>Contributions as a percentage of payroll</b>	<b>NPL as a percent of payroll</b>
December 31, 2021	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2020	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2019	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2018	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2017	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2016	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2015	-	\$ 3,000	\$ (3,000)	-	-	-
December 31, 2014	-	\$ 3,000	\$ (3,000)	-	-	-

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

**A. Public Employees Retirement Association – General Employees Retirement Fund**

2022 changes:

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

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

2021 changes:

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

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

2020 changes:

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

**Changes in Plan Provisions.** Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 changes:

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

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

2018 changes:

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2022

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

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

2017 changes:

**Change of Assumptions.** The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

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

**B. Public Employees Retirement Association – Public Employees Police and Fire Fund**

2022 changes:

**Changes in Actuarial Assumptions.** The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50% to 5.40%.

**Changes in Plan Provisions.** There have been no changes 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 inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2022

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

**B. Public Employees Retirement Association – Public Employees Police and Fire Fund – (Continued)**

**Changes in Plan Provisions.** There have been no changes since the previous valuation.

2020 changes:

**Changes in Actuarial Assumptions.** 1) The mortality projection scale was changed from MP-2018 to MP-2019.

**Changes in Plan Provisions.** 1) There have been no changes since the prior valuation.

2019 changes:

**Change of Assumptions.** 1) The mortality projection scale was changed from MP-2017 to MP-2018.

2018 changes:

**Change of Assumptions.** 1) The mortality projection scale was changed from MP-2016 to MP-2017.

2017 changes:

**Change of Assumptions.** 1) Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. 2) Assumed rates of retirement were changed, resulting in fewer retirements. 3) The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. 4) The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. 5) Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. 6) Assumed percentage of married female members was decreased from 65 percent to 60 percent. 7) Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. 8) The assumed percentage of female members electing Joint and Survivor annuities was increased. 9) The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%. 3) The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

**Changes in Plan Provisions:** The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

**Changes in Actuarial Assumptions:** The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2022

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

**C. Volunteer Fire Relief Association**

2021 changes:

None.

2020 changes:

**Changes in Actuarial Assumptions:** The mortality assumptions were updated from the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2019 changes:

None.

2018 changes:

**Changes in Actuarial Assumptions:** A) The expected investment return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions. B) The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. C) The inflation assumption rate was reduced from 2.75% to 2.50%

2017 changes:

None.

2016 changes:

**Changes in Actuarial Assumptions:** The expected investment return and discount rate increased from 6.00% to 6.25% to reflect updated capital market assumptions.

2015 changes:

None.

2014 changes:

None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and Investments	\$ 233,803	\$ 1,294,512	\$ 1,528,315
Accounts Receivable	2,175	68	2,243
Due from Other Governments	3,517	0	3,517
Prepaid Expense	2,707	0	2,707
Lease Receivable	51,143	0	51,143
Notes Receivable	110,321	0	110,321
Special Assessments	0	23,485	23,485
Advance to Other Funds	105,238	0	105,238
Land Held for Sale	845,855	0	845,855
	<u>845,855</u>	<u>0</u>	<u>845,855</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,354,759</u>	<u>\$ 1,318,065</u>	<u>\$ 2,672,824</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 13,155	\$ 90,777	\$ 103,932
Due to Other Funds	267,912	594,328	862,240
Advance from Other Funds	105,588	0	105,588
Total Liabilities	<u>386,655</u>	<u>685,105</u>	<u>1,071,760</u>
<b>Deferred Inflows of Resources:</b>			
Lease Deferrals	49,833	0	49,833
Unavailable Revenue	0	23,485	23,485
Total Deferred Inflows of Resources	<u>49,833</u>	<u>23,485</u>	<u>73,318</u>
<b>Fund Balance:</b>			
Nonspendable	2,707	0	2,707
Restricted	191,791	54,489	246,280
Committed	1,036,935	0	1,036,935
Assigned	0	1,171,130	1,171,130
Unassigned	(313,162)	(616,144)	(929,306)
Total Fund Balance	<u>918,271</u>	<u>609,475</u>	<u>1,527,746</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 1,354,759</u>	<u>\$ 1,318,065</u>	<u>\$ 2,672,824</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>Revenues:</b>			
Property Taxes	\$ 2,500	\$ 0	\$ 2,500
Tax Increment	95,459	0	95,459
Intergovernmental	203,363	0	203,363
Charges for Services	54,207	25,200	79,407
Other Revenues	19,470	342,050	361,520
Interest Earnings	148	(5,312)	(5,164)
Total Revenues	<u>375,147</u>	<u>361,938</u>	<u>737,085</u>
<b>Expenditures:</b>			
Current:			
General Government	31,438	0	31,438
Public Safety	14,878	25,644	40,522
Public Works	0	60,393	60,393
Parks and Recreation	0	12,085	12,085
Economic Development	242,744	0	242,744
Capital Outlay:			
General Government	0	67,829	67,829
Public Safety	0	71,070	71,070
Public Works	0	158,629	158,629
Park and Recreation	0	78,044	78,044
Economic Development	22,729	0	22,729
Total Expenditures	<u>311,789</u>	<u>473,694</u>	<u>785,483</u>
Excess of Revenue Over (Under) Expenditures	<u>63,358</u>	<u>(111,756)</u>	<u>(48,398)</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	76,358	76,358
Transfers In	393,111	276,095	669,206
Transfers Out	(71,612)	0	(71,612)
Total Other Financing Sources (Uses)	<u>321,499</u>	<u>352,453</u>	<u>673,952</u>
Change in Fund Balance	384,857	240,697	625,554
Fund Balance - January 1	<u>533,414</u>	<u>368,778</u>	<u>902,192</u>
Fund Balance - December 31	<u>\$ 918,271</u>	<u>\$ 609,475</u>	<u>\$ 1,527,746</u>



CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 December 31, 2022

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
<b>ASSETS</b>					
Cash and Investments	\$ 11,759	\$ 116,057	\$ 11,276	\$ 0	\$ 48,430
Accounts Receivable	0	2,175	0	0	0
Due from Other Governments	0	0	0	0	0
Prepaid Expense	0	714	0	0	0
Notes Receivable	0	25,000	0	0	0
Lease Receivable	0	51,143	0	0	0
Advance to Other Funds	0	105,238	0	0	0
Land Held for Sale	0	845,855	0	0	0
<b>TOTAL ASSETS</b>	<u>\$ 11,759</u>	<u>\$ 1,146,182</u>	<u>\$ 11,276</u>	<u>\$ 0</u>	<u>\$ 48,430</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 0	\$ 0	\$ 11,362	\$ 0	\$ 0
Due to Other Funds	0	0	0	8,291	0
Advance from Other Funds	0	58,700	0	0	0
<b>Total Liabilities</b>	<u>0</u>	<u>58,700</u>	<u>11,362</u>	<u>8,291</u>	<u>0</u>
<b>Deferred Inflows of Resources:</b>					
Lease Deferments	0	49,833	0	0	0
<b>Fund Balance:</b>					
Nonspendable	0	714	0	0	0
Restricted	11,759	0	0	0	48,430
Committed	0	1,036,935	0	0	0
Unassigned	0	0	(86)	(8,291)	0
<b>Total Fund Balance</b>	<u>11,759</u>	<u>1,037,649</u>	<u>(86)</u>	<u>(8,291)</u>	<u>48,430</u>
<b>TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 11,759</u>	<u>\$ 1,146,182</u>	<u>\$ 11,276</u>	<u>\$ 0</u>	<u>\$ 48,430</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 0	\$ 0	\$ 19,127	\$ 27,154	\$ 233,803
0	0	0	0	0	2,175
0	3,517	0	0	0	3,517
0	980	1,013	0	0	2,707
0	0	0	55,714	29,607	110,321
0	0	0	0	0	51,143
0	0	0	0	0	105,238
0	0	0	0	0	845,855
<u>\$ 0</u>	<u>\$ 4,497</u>	<u>\$ 1,013</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 1,354,759</u>
\$ 0	\$ 233	\$ 1,560	\$ 0	\$ 0	\$ 13,155
203	230,776	28,642	0	0	267,912
0	0	46,888	0	0	105,588
<u>203</u>	<u>231,009</u>	<u>77,090</u>	<u>0</u>	<u>0</u>	<u>386,655</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,833</u>
0	980	1,013	0	0	2,707
0	0	0	74,841	56,761	191,791
0	0	0	0	0	1,036,935
<u>(203)</u>	<u>(227,492)</u>	<u>(77,090)</u>	<u>0</u>	<u>0</u>	<u>(313,162)</u>
<u>(203)</u>	<u>(226,512)</u>	<u>(76,077)</u>	<u>74,841</u>	<u>56,761</u>	<u>918,271</u>
<u>\$ 0</u>	<u>\$ 4,497</u>	<u>\$ 1,013</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 1,354,759</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

For the Year Ended December 31, 2022

	Charitable Gambling	Economic Development	TIF District No. 6	Tax Abatement	TIF District No. 14
<b>Revenues:</b>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 0
Tax Increment	0	0	23,919	0	68,918
Intergovernmental	0	0	0	0	0
Charges for Services	0	30,626	0	0	0
Other Revenues	0	19,470	0	0	0
Interest Earnings	(127)	(1,681)	0	104	(471)
Total Revenues	<u>(127)</u>	<u>48,415</u>	<u>23,919</u>	<u>2,604</u>	<u>68,447</u>
<b>Expenditures:</b>					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Economic Development	0	69,757	835	0	830
Capital Outlay:					
Economic Development	0	0	22,729	0	0
Total Expenditures	<u>0</u>	<u>69,757</u>	<u>23,564</u>	<u>0</u>	<u>830</u>
Excess of Revenue Over (Under) Expenditure	<u>(127)</u>	<u>(21,342)</u>	<u>355</u>	<u>2,604</u>	<u>67,617</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	387,246	0	0	0
Transfers Out	0	(11,460)	(13,152)	0	(47,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>375,786</u>	<u>(13,152)</u>	<u>0</u>	<u>(47,000)</u>
Change in Fund Balance	(127)	354,444	(12,797)	2,604	20,617
Fund Balance - January 1	<u>11,886</u>	<u>683,205</u>	<u>12,711</u>	<u>(10,895)</u>	<u>27,813</u>
Fund Balance - December 31	<u>\$ 11,759</u>	<u>\$ 1,037,649</u>	<u>\$ (86)</u>	<u>\$ (8,291)</u>	<u>\$ 48,430</u>

TIF District No. 15	Training Center	Woodlawn Cemetery	MIF Funds	SCDP Grant	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500
2,622	0	0	0	0	95,459
0	0	0	0	203,363	203,363
0	12,456	11,125	0	0	54,207
0	0	0	0	0	19,470
0	2,483	245	(159)	(246)	148
<u>2,622</u>	<u>14,939</u>	<u>11,370</u>	<u>(159)</u>	<u>203,117</u>	<u>375,147</u>
0	0	31,438	0	0	31,438
0	14,878	0	0	0	14,878
835	0	0	0	170,487	242,744
0	0	0	0	0	22,729
<u>835</u>	<u>14,878</u>	<u>31,438</u>	<u>0</u>	<u>170,487</u>	<u>311,789</u>
<u>1,787</u>	<u>61</u>	<u>(20,068)</u>	<u>(159)</u>	<u>32,630</u>	<u>63,358</u>
0	3,000	2,865	0	0	393,111
0	0	0	0	0	(71,612)
<u>0</u>	<u>3,000</u>	<u>2,865</u>	<u>0</u>	<u>0</u>	<u>321,499</u>
1,787	3,061	(17,203)	(159)	32,630	384,857
<u>(1,990)</u>	<u>(229,573)</u>	<u>(58,874)</u>	<u>75,000</u>	<u>24,131</u>	<u>533,414</u>
<u>\$ (203)</u>	<u>\$ (226,512)</u>	<u>\$ (76,077)</u>	<u>\$ 74,841</u>	<u>\$ 56,761</u>	<u>\$ 918,271</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
December 31, 2022

	Park	Lions Donation	Street Capital Outlay	Public Works Equipment	Police Equipment	Building Capital Outlay
<b>ASSETS</b>						
Cash and Investments	69,426	283,661	133,811	197,054	544	245,353
Accounts Receivable	0	0	0	68	0	0
Special Assessments	0	0	23,485	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 69,426</b>	<b>\$ 283,661</b>	<b>\$ 157,296</b>	<b>\$ 197,122</b>	<b>\$ 544</b>	<b>\$ 245,353</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,330
Due to Other Funds	0	0	0	0	0	0
Total Liabilities	413	0	0	0	0	65,330
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	0	0	23,485	0	0	0
<b>Fund Balance:</b>						
Restricted	0	0	0	0	0	0
Assigned	69,013	283,661	133,811	197,122	544	180,023
Unassigned	0	0	0	0	0	0
Total Fund Balance	69,013	283,661	133,811	197,122	544	180,023
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 69,426</b>	<b>\$ 283,661</b>	<b>\$ 157,296</b>	<b>\$ 197,122</b>	<b>\$ 544</b>	<b>\$ 245,353</b>

Street Maintenance	Recreation Facility	2020 Improvement Project	Hemlock Project	Lake John Utility Extension	HWY 55 Improvement	Total
141,394	32,785	57,707	\$ 0	\$ 132,777	\$ 0	\$ 1,294,512
0	0	0	0	0	0	68
0	0	0	0	0	0	23,485
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 57,707</u>	<u>\$ 0</u>	<u>\$ 132,777</u>	<u>\$ 0</u>	<u>\$ 1,318,065</u>
\$ 0	\$ 0	\$ 3,218	\$ 17,668	\$ 0	\$ 4,148	\$ 90,777
0	0	0	542,491	0	51,837	594,328
0	0	3,218	560,159	0	55,985	685,105
0	0	0	0	0	0	23,485
0	0	54,489	0	0	0	54,489
141,394	32,785	0	0	132,777	0	1,171,130
0	0	0	(560,159)	0	(55,985)	(616,144)
141,394	32,785	54,489	(560,159)	132,777	(55,985)	609,475
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 57,707</u>	<u>\$ 0</u>	<u>\$ 132,777</u>	<u>\$ 0</u>	<u>\$ 1,318,065</u>

CITY OF ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 For the Year Ended December 31, 2022

	Park	Lions Donation	Street Capital Outlay	Public Works Equipment	Police Equipment	Building Capital Outlay
<b>Revenues:</b>						
Charges for Services	\$ 25,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Revenues	13,800	192,000	0	0	2,000	0
Interest Earnings	(568)	(2,689)	(1,255)	(2,046)	(38)	(2,378)
Total Revenues	<u>38,432</u>	<u>189,311</u>	<u>(1,255)</u>	<u>(2,046)</u>	<u>1,962</u>	<u>(2,378)</u>
<b>Expenditures:</b>						
Current:						
Public Safety	0	0	0	0	25,644	0
Public Works	0	0	0	0	0	0
Parks and Recreation	12,085	0	0	0	0	0
Capital Outlay:						
General Government	0	0	0	0	0	67,829
Public Safety	0	0	0	0	71,070	0
Public Works	0	0	0	87,897	0	0
Park and Recreation	77,867	0	0	0	0	0
Total Expenditures	<u>89,952</u>	<u>0</u>	<u>0</u>	<u>87,897</u>	<u>96,714</u>	<u>67,829</u>
Excess of Revenue Over (Under) Expenditures	<u>(51,520)</u>	<u>189,311</u>	<u>(1,255)</u>	<u>(89,943)</u>	<u>(94,752)</u>	<u>(70,207)</u>
<b>Other Financing Sources (Uses):</b>						
Sale of Capital Assets	0	0	0	5,755	70,603	0
Transfers In	28,595	0	0	60,000	20,000	167,500
Total Other Financing Sources (Uses)	<u>28,595</u>	<u>0</u>	<u>0</u>	<u>65,755</u>	<u>90,603</u>	<u>167,500</u>
Change in Fund Balance	(22,925)	189,311	(1,255)	(24,188)	(4,149)	97,293
Fund Balance - January 1	<u>91,938</u>	<u>94,350</u>	<u>135,066</u>	<u>221,310</u>	<u>4,693</u>	<u>82,730</u>
Fund Balance - December 31	<u>\$ 69,013</u>	<u>\$ 283,661</u>	<u>\$ 133,811</u>	<u>\$ 197,122</u>	<u>\$ 544</u>	<u>\$ 180,023</u>

Street Maintenance	Recreational Facility	2020 Improvement Project	Hemlock Project	Lake John Utility Extension	HWY 55 Improvement	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,200
0	0	0	0	134,250	0	342,050
<u>(1,327)</u>	<u>(386)</u>	<u>(248)</u>	<u>4,916</u>	<u>237</u>	<u>470</u>	<u>(5,312)</u>
<u>(1,327)</u>	<u>(386)</u>	<u>(248)</u>	<u>4,916</u>	<u>134,487</u>	<u>470</u>	<u>361,938</u>
0	0	0	0	0	0	25,644
2,228	0	0	0	1,710	56,455	60,393
0	0	0	0	0	0	12,085
0	0	0	0	0	0	67,829
0	0	0	0	0	0	71,070
0	0	4,820	65,912	0	0	158,629
0	177	0	0	0	0	78,044
<u>2,228</u>	<u>177</u>	<u>4,820</u>	<u>65,912</u>	<u>1,710</u>	<u>56,455</u>	<u>473,694</u>
<u>(3,555)</u>	<u>(563)</u>	<u>(5,068)</u>	<u>(60,996)</u>	<u>132,777</u>	<u>(55,985)</u>	<u>(111,756)</u>
0	0	0	0	0	0	76,358
0	0	0	0	0	0	276,095
0	0	0	0	0	0	352,453
(3,555)	(563)	(5,068)	(60,996)	132,777	(55,985)	240,697
<u>144,949</u>	<u>33,348</u>	<u>59,557</u>	<u>(499,163)</u>	<u>0</u>	<u>0</u>	<u>368,778</u>
<u>\$ 141,394</u>	<u>\$ 32,785</u>	<u>\$ 54,489</u>	<u>\$ (560,159)</u>	<u>\$ 132,777</u>	<u>\$ (55,985)</u>	<u>\$ 609,475</u>



CITY OF ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2022

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
<b>ASSETS</b>					
Cash and Investments	\$ 61,252	\$ 0	\$ 0	\$ 17,846	\$ 50,024
Special Assessments	<u>10,440</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,609</u>
<b>TOTAL ASSETS</b>	<u>\$ 71,692</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,846</u>	<u>\$ 73,633</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Due to Other Funds	\$ 0	\$ 5,403	\$ 17,088	\$ 0	\$ 0
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue	<u>10,187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,609</u>
<b>Fund Balance:</b>					
Restricted	61,505	0	0	17,846	50,024
Unassigned	<u>0</u>	<u>(5,403)</u>	<u>(17,088)</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>61,505</u>	<u>(5,403)</u>	<u>(17,088)</u>	<u>17,846</u>	<u>50,024</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 71,692</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,846</u>	<u>\$ 73,633</u>

<u>G.O. TIF Bond 2019A</u>	<u>G.O. Refunding Bonds 2019B</u>	<u>G.O. Temporary Improvement Bonds 2020A</u>	<u>G.O. Improvement Refunding Note 2020B</u>	<u>G.O. Equipment Certificates 2022A</u>	<u>Total Debt Service Funds</u>
\$ 64,652	\$ 205,200	\$ 2,174,648	\$ 149,470	\$ 12,175	\$ 2,735,267
<u>128,594</u>	<u>120,228</u>	<u>330,080</u>	<u>155,458</u>	<u>0</u>	<u>768,409</u>
<u>\$ 193,246</u>	<u>\$ 325,428</u>	<u>\$ 2,504,728</u>	<u>\$ 304,928</u>	<u>\$ 12,175</u>	<u>\$ 3,503,676</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,491</u>
<u>128,594</u>	<u>119,873</u>	<u>328,498</u>	<u>155,156</u>	<u>0</u>	<u>765,917</u>
64,652	205,555	2,176,230	149,772	12,175	2,737,759
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,491)</u>
<u>64,652</u>	<u>205,555</u>	<u>2,176,230</u>	<u>149,772</u>	<u>12,175</u>	<u>2,715,268</u>
<u>\$ 193,246</u>	<u>\$ 325,428</u>	<u>\$ 2,504,728</u>	<u>\$ 304,928</u>	<u>\$ 12,175</u>	<u>\$ 3,503,676</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

	G.O. Improvement Bonds 2008B	G.O. Capital Improvement Plan Refunding Bonds 2008A	G.O. Equipment Certificates 2016A	G.O. Refunding Bonds 2011B	G.O. Refunding Bonds 2012A
<b>Revenues:</b>					
Property Taxes	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	8,386	0	0	0	334
Interest Earnings	(691)	27	213	(114)	(38)
Total Revenues	<u>27,695</u>	<u>27</u>	<u>213</u>	<u>(114)</u>	<u>296</u>
<b>Expenditures:</b>					
Debt Service:					
Principal	95,000	80,000	0	0	270,000
Interest and Fiscal Charges	10,831	1,600	0	0	2,498
Total Expenditures	<u>105,831</u>	<u>81,600</u>	<u>0</u>	<u>0</u>	<u>272,498</u>
Excess of Revenue Over (Under) Expenditures	(78,136)	(81,573)	213	(114)	(272,202)
<b>Other Financing Sources (Uses):</b>					
Bond Proceeds	0	0	0	0	0
Transfers In	56,000	40,000	0	0	113,000
Total Other Financing Sources (Uses)	<u>56,000</u>	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>113,000</u>
Change in Fund Balance	(22,136)	(41,573)	213	(114)	(159,202)
Fund Balance - January 1	<u>83,641</u>	<u>36,170</u>	<u>(17,301)</u>	<u>17,960</u>	<u>209,226</u>
Fund Balance - December 31	<u>\$ 61,505</u>	<u>\$ (5,403)</u>	<u>\$ (17,088)</u>	<u>\$ 17,846</u>	<u>\$ 50,024</u>

G.O. TIF Bonds 2019A	G.O. Refunding Bonds 2019B	G.O. Temporary Improvement Bonds 2020A	G.O. Improvement Refunding Note 2020B	G.O. Equipment Certificates 2022A	Total Debt Service Funds
\$ 0	\$ 100,000	\$ 0	\$ 10,000	\$ 0	\$ 130,000
18,587	44,389	36,827	32,280	0	140,803
(585)	(2,704)	(1,511)	(2,101)	(110)	(7,614)
<u>18,002</u>	<u>141,685</u>	<u>35,316</u>	<u>40,179</u>	<u>(110)</u>	<u>263,189</u>
35,000	136,000	0	22,000	0	638,000
26,554	39,303	58,100	5,569	0	144,455
<u>61,554</u>	<u>175,303</u>	<u>58,100</u>	<u>27,569</u>	<u>0</u>	<u>782,455</u>
(43,552)	(33,618)	(22,784)	12,610	(110)	(519,266)
0	0	0	0	12,285	12,285
47,000	50,000	2,038,095	0	0	2,344,095
<u>47,000</u>	<u>50,000</u>	<u>2,038,095</u>	<u>0</u>	<u>12,285</u>	<u>2,356,380</u>
3,448	16,382	2,015,311	12,610	12,175	1,837,114
61,204	189,173	160,919	137,162	0	878,154
<u>\$ 64,652</u>	<u>\$ 205,555</u>	<u>\$ 2,176,230</u>	<u>\$ 149,772</u>	<u>\$ 12,175</u>	<u>\$ 2,715,268</u>

CITY OF ANNANDALE, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,556,441	\$ 1,443,615
Accounts Receivable	4,489	6,913
Property Taxes	68,996	50,797
Prepaid Expense	100,941	108,424
Special Assessments	4,486	0
Due from Other Funds	884,730	1,157,734
Due from Other Governments	<u>47,630</u>	<u>72,562</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,667,713</u>	<u>\$ 2,840,045</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accrued Expenses	\$ 176,671	\$ 111,910
Due to Other Governments	643	0
Unearned Revenue	113,150	78,718
Advance to Other Funds	<u>58,350</u>	<u>83,350</u>
Total Liabilities	<u>348,814</u>	<u>273,978</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Revenue - Delinquent Taxes	<u>31,192</u>	<u>11,323</u>
<b>Fund Balance:</b>		
Nonspendable	100,941	108,424
Assigned	246,803	256,813
Unassigned	<u>1,939,963</u>	<u>2,189,507</u>
Total Fund Balance	<u>2,287,707</u>	<u>2,554,744</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 2,667,713</u>	<u>\$ 2,840,045</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Taxes:					
Property	\$ 1,528,097	1,528,097	\$ 1,515,118	\$ (12,979)	\$ 1,146,128
Franchise	17,000	17,000	16,240	(760)	16,171
Total Taxes	<u>1,545,097</u>	<u>1,545,097</u>	<u>1,531,358</u>	<u>(13,739)</u>	<u>1,162,299</u>
Intergovernmental:					
Police Department Grants	0	0	1,198	1,198	4,758
Local Government Aid	542,757	542,757	542,757	0	527,753
Police Department Training Reimbursement	6,500	6,500	7,104	604	7,213
Fire Department Training Reimbursement	5,000	5,000	2,360	(2,640)	8,570
State Fire Aid	45,000	45,000	61,175	16,175	56,319
Police State Aid	40,000	40,000	50,082	10,082	27,578
Police DWI Seizure	0	0	562	562	0
State Aid - MV Credit	0	0	572	572	523
Snow Removal Reimb.	3,000	3,000	10,855	7,855	3,315
American Rescue Plan	0	0	192,173	192,173	192,173
Total Intergovernmental	<u>642,257</u>	<u>642,257</u>	<u>868,838</u>	<u>226,581</u>	<u>828,202</u>
Licenses and Permits	<u>80,300</u>	<u>80,300</u>	<u>152,269</u>	<u>71,969</u>	<u>85,996</u>
Charges for Services:					
City Hall Rent	800	800	520	(280)	380
Nuisances & Lawn Mowing	0	0	0	0	214
Zoning & Subdivision Fees	0	0	5,850	5,850	1,084
Assessment Searches	600	600	820	220	1,230
Copier Receipts - Admin	55	55	15	(40)	8
Phone Reimbursement	200	200	26	(174)	64
Police Special Services	2,000	2,000	1,000	(1,000)	2,303
School Resource Officer	19,000	19,000	19,000	0	28,500
Rural Fire Service	149,256	149,256	155,741	6,485	171,447
Police Reports	100	100	143	43	67
Fingerprints	175	175	480	305	570
PD - Range Training	0	0	0	0	200
Police Background Checks	100	100	70	(30)	0
WW Comm Snow Removal Reimbursement	3,000	3,000	0	(3,000)	6,885
WW Comm Reimbursement - Labor	70,000	70,000	90,307	20,307	64,915
WW Comm Reimbursement - Mileage	7,650	7,650	7,192	(458)	6,723
Pavilion Rental	13,000	13,000	8,670	(4,330)	13,393
Portable Stage Rent	0	0	0	0	1,215
Sales of Maps & Publications - DMV	100	100	0	(100)	679
Commissions - DMV	<u>200,000</u>	<u>200,000</u>	<u>209,619</u>	<u>9,619</u>	<u>216,385</u>
Total Charges for Services	<u>466,036</u>	<u>466,036</u>	<u>499,453</u>	<u>33,417</u>	<u>516,262</u>
Fines	<u>12,200</u>	<u>12,200</u>	<u>10,529</u>	<u>(1,671)</u>	<u>17,444</u>

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Revenues (Continued):</b>					
Other Revenues:					
Revenues - Fire	\$ 0	\$ 0	\$ 4,742	\$ 4,742	\$ 0
Misc Revenues-Elections	0	0	6	6	0
Misc Revenues-Admin	0	0	500	500	268
Misc Revenues-Police	0	0	550	550	0
Misc Revenues - Fire	0	0	273	273	0
Misc Revenues-Public Works	0	0	1,923	1,923	2,657
Misc Revenues-Streets	0	0	0	0	1,026
Misc Revenues-Parks	0	0	289	289	100
PD Donations	0	0	13,835	13,835	515
Property & Casualty Insurance Refund	0	0	7,190	7,190	0
COVID Wage/Tax Credits-Admin	0	0	0	0	1,529
Land Use Escrow	0	0	68,958	68,958	0
Miscellaneous Revenues - P&Z	0	0	16,252	16,252	91,742
Total Other Revenues	0	0	114,518	114,518	97,837
Investment Earnings	30,000	30,000	(3,045)	(33,045)	37,059
Total Revenues	2,775,890	2,775,890	3,173,920	398,030	2,745,099
<b>Current Expenditures:</b>					
General Government:					
Mayor and Council:					
Office Supplies	0	0	0	0	35
Professional Services	280	280	175	(105)	263
Travel/Training	400	400	170	(230)	285
Printing & Publishing	5,500	5,500	3,811	(1,689)	3,223
Dues And Subscriptions	6,285	6,285	7,300	1,015	5,320
Miscellaneous	0	0	0	0	105
Employee Apprec/Retention	800	800	1,484	684	852
Contrib To Community Service	10,200	10,200	9,000	(1,200)	10,200
Salaries (P/T) Legislative	9,795	9,795	9,959	164	11,305
Fica - Legislative	607	607	617	10	579
Medicare - Legislative	142	142	144	2	136
Worker's Compensation	2,200	2,200	1,553	(647)	2,654
Government Building:					
Salaries (P/T)	0	0	0	0	47
Worker's Compensation	1,800	1,800	1,531	(269)	1,832
Operating Supplies	2,000	2,000	1,829	(171)	1,824
Maint & Repair Supplies	200	200	0	(200)	0
Contracted Cleaning Service	7,650	7,650	6,126	(1,524)	9,433
Comp Insurance	2,500	2,500	4,756	2,256	2,836
Electricity-City Hall	12,000	12,000	22,329	10,329	12,448
Water & Sewer-City Hall	3,500	3,500	(181)	(3,681)	5,258
Natural Gas-City Hall	3,000	3,000	4,015	1,015	4,188
Building Security	350	350	251	(99)	252
Maint & Repair (Bldg)	8,000	8,000	7,654	(346)	7,164
Maint & Repair	100	100	40	(60)	0
Miscellaneous	700	700	890	190	64

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
General Government:					
Government Building:					
Wages (P/T) - PW Crew Time	\$ 4,433	\$ 4,433	\$ 4,210	\$ (223)	\$ 4,123
Wages (O/T) - PW Crew Time	440	440	196	(244)	15
On Call-Public Works	109	109	165	56	278
Pera - Public Works	373	373	341	(32)	330
Fica - Public Works	308	308	256	(52)	249
Medicare - Public Works	71	71	60	(11)	58
Insurance Benefits - PW Crew	1,047	1,047	1,009	(38)	953
Elections:					
Other Supplies	0	0	978	978	0
Payroll Expense-Elect Judge	3,250	3,250	2,932	(318)	0
Travel/Training	0	0	70	70	0
Printing and Publishing	125	125	160	35	0
Maint Contract (Voting Machine)	400	400	0	(400)	376
Finance:					
Wages (F/T)	181,267	181,267	180,177	(1,090)	134,034
Overtime (F/T)	500	500	171	(329)	606
Pera	13,506	13,506	13,037	(469)	10,785
Fica	11,165	11,165	10,308	(857)	8,382
Medicare	2,557	2,557	2,411	(146)	1,960
Insurance Benefits	19,645	19,645	34,334	14,689	16,551
Worker's Compensation	3,400	3,400	2,793	(607)	3,269
Office Supplies	3,500	3,500	4,272	772	4,522
Other Supplies	700	700	1,128	428	844
Professional Services	1,248	1,248	1,643	395	1,578
Engineering Fees	2,000	2,000	1,459	(541)	10,681
Legal Expenses	7,000	7,000	8,694	1,694	15,069
Other Consultant	4,000	4,000	6,731	2,731	508
Payroll Expense	660	660	345	(315)	812
Telephone/Internet	5,200	5,200	4,554	(646)	5,762
Postage	3,200	3,200	2,346	(854)	3,302
Travel/Training	5,000	5,000	1,007	(3,993)	4,354
Printing And Publishing	1,500	1,500	2,801	1,301	1,105
Comp Insurance	1,385	1,385	1,378	(7)	1,317
Maint. & Repair (Equipment)	0	0	0	0	491
Maint. Contract - Copier	3,200	3,200	2,940	(260)	1,583
Maint Contract - Software	3,600	3,600	13,262	9,662	5,473
Maintenance - Technology	1,800	1,800	2,998	1,198	4,549
Postage Meter Rent	450	450	771	321	1,094
Cash Short	0	0	(62)	(62)	0
Dues and Subscriptions	800	800	380	(420)	874
Miscellaneous	500	500	2,209	1,709	3,169
Credit Card Fees	700	700	1,111	411	1,071
Sales Tax	0	0	526	526	1,593



CITY OF ANNANDALE, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
General Government:					
Planning & Zoning:					
Professional Services	\$ 208	\$ 208	\$ 175	\$ (33)	\$ 263
Engineering Fees	250	250	5,019	4,769	(17,758)
Legal Fees	780	780	4,703	3,923	2,565
Other Consultant	1,500	1,500	16,857	15,357	5,718
Recording Fee Variance & Supplies	200	200	1,689	1,489	0
Postage	180	180	122	(58)	182
Training/Travel	250	250	0	(250)	0
Printing & Publishing	200	200	1,055	855	358
Miscellaneous	50	50	14,119	14,069	53
Salaries (P/T) - P & Z	1,320	1,320	1,020	(300)	1,220
Fica - P & Z	82	82	63	(19)	76
Medicare - P & Z	19	19	15	(4)	18
Worker's Compensation	2,200	2,200	1,556	(644)	1,865
Engineering Fees	0	0	62,825	62,825	54,349
Legal Fees	0	0	5,243	5,243	361
Other Consultant	0	0	23,926	23,926	1,463
Assessor:					
Assessors' Fees	22,750	22,750	22,410	(340)	21,900
Deputy Registrar:					
Salary (F/T)	103,022	103,022	99,112	(3,910)	67,112
Overtime (F/T)	2,000	2,000	220	(1,780)	2,163
Salaries (P/T)	39,016	39,016	34,411	(4,605)	55,402
Pera	10,803	10,803	9,508	(1,295)	9,498
Fica	8,930	8,930	7,879	(1,051)	8,049
Medicare	2,045	2,045	1,843	(202)	1,901
Insurance Benefits	7,274	7,274	6,156	(1,118)	4,486
Worker's Compensation	3,100	3,100	2,793	(307)	3,269
Office Supplies	1,000	1,000	1,280	280	1,405
Maps	200	200	150	(50)	0
DMV Manuals	400	400	0	(400)	593
Professional Services	832	832	698	(134)	1,052
Payroll Expense	0	0	311	311	731
Telephone (Fax)	2,895	2,895	3,489	594	3,373
Postage	1,550	1,550	1,094	(456)	1,634
Travel/Training	100	100	57	(43)	422
Printing & Publishing	1,500	1,500	3,725	2,225	408
Comp Insurance	1,390	1,390	1,378	(12)	1,317
Maint. & Repair (Equipment)	100	100	420	320	364
Maint. Contract (Software)	200	200	0	(200)	40
Maint. Contract - Copier	2,000	2,000	2,030	30	2,454
Maintenance - Technology	150	150	2,935	2,785	2,816
Dues And Subscriptions	400	400	370	(30)	450
Miscellaneous	0	0	667	667	33
Total General Government	<u>585,944</u>	<u>585,944</u>	<u>738,877</u>	<u>152,933</u>	<u>573,628</u>

CITY OF ANNANDALE, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Police Department:					
Wages (F/T)	\$ 373,393	\$ 373,393	\$ 392,467	\$ 19,074	\$ 352,313
Overtime (F/T)	20,078	20,078	18,488	(1,590)	17,700
Salaries (P/T)	27,040	27,040	23,770	(3,270)	28,770
Salaries (P/T) - Secretary	42,964	42,964	33,361	(9,603)	42,517
Pera	80,996	80,996	71,243	(9,753)	74,809
Fica	2,664	2,664	2,920	256	2,726
Medicare	6,498	6,498	6,113	(385)	6,041
Insurance Benefits	73,699	73,699	73,732	33	74,104
Worker's Compensation	27,000	27,000	27,498	498	26,256
Office Supplies	2,500	2,500	840	(1,660)	1,673
Operating Supplies	1,300	1,300	1,260	(40)	1,720
Range Training Supplies	1,500	1,500	2,671	1,171	572
Motor Fuels - Police Dept	13,200	13,200	17,798	4,598	13,868
Clothing/Uniforms	5,000	5,000	4,230	(770)	3,695
Vehicle Equipment	2,000	2,000	2,235	235	198
Police Equipment	3,000	3,000	4,000	1,000	3,738
Professional Services	3,536	3,536	2,967	(569)	4,471
Legal Fees (Prosecutions)	23,500	23,500	26,743	3,243	21,971
Personnel Testing & Recruitment	1,000	1,000	0	(1,000)	0
State Fee - Traffic Citations	800	800	300	(500)	0
Contracted Cleaning Service	1,620	1,620	1,764	144	2,058
Payroll Expense	2,060	2,060	1,209	(851)	2,843
Special Investigations	1,500	1,500	360	(1,140)	247
Narcotics Enforcement	600	600	25	(575)	56
Computer Data Access Line	250	250	0	(250)	0
Telephone/Internet	7,200	7,200	7,623	423	8,578
Postage	400	400	388	(12)	507
Radio Units	1,020	1,020	2,205	1,185	2,100
State Charges - BCA	1,080	1,080	1,620	540	810
Travel/Training	3,000	3,000	3,921	921	4,039
Vehicle License	600	600	526	(74)	177
Printing & Publishing	500	500	821	321	1,319
Comp Insurance	1,850	1,850	2,448	598	2,119
Vehicle Insurance	5,000	5,000	5,634	634	4,795
Maint & Repair (Equip)	500	500	311	(189)	68
Maint. Contract Software	3,800	3,800	2,744	(1,056)	2,664
Maint Contract - Copier	250	250	393	143	360
Maint & Repair (Technology)	3,500	3,500	6,948	3,448	3,988
Maint & Repair (Vehicle)	7,400	7,400	7,419	19	5,445
Dues & Subscriptions	1,000	1,000	3,824	2,824	1,422
Towing Charges	200	200	984	784	540
Miscellaneous	400	400	0	(400)	250
Community Policing Events	200	200	526	326	15
Sales Tax	0	0	8	8	4

CITY OF ANNANDALE, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Fire Department:					
Fire Relief Association	\$ 45,000	\$ 45,000	\$ 61,175	\$ 16,175	\$ 56,319
Fire Relief Assoc. (Muni Contribution)	3,000	3,000	3,000	0	3,000
Worker's Compensation	21,200	21,200	14,454	(6,746)	17,353
Office Supplies	750	750	228	(522)	486
Training Supplies	125	125	0	(125)	0
Other Supplies	2,000	2,000	2,961	961	2,878
Motor Fuels-Fire Dept	3,000	3,000	5,672	2,672	3,119
Clothing	10,000	10,000	10,004	4	3,311
Maint & Repair Supplies	500	500	917	417	599
Equipment/Parts	500	500	233	(267)	0
Tools & Small Equipment	1,000	1,000	1,326	326	1,281
Professional Services	1,040	1,040	873	(167)	1,315
Legal Fees	100	100	608	508	0
Medical Fees	7,500	7,500	6,418	(1,082)	7,804
Personnel Testing & Recruitment	1,300	1,300	0	(1,300)	0
Contracted Cleaning Service	3,000	3,000	2,450	(550)	3,430
Payroll Expense	160	160	104	(56)	244
Telephone	2,600	2,600	2,598	(2)	2,304
Postage	400	400	255	(145)	433
Radio Units	5,000	5,000	5,124	124	7,423
Travel/Training	8,000	8,000	14,136	6,136	18,392
Vehicle License	100	100	66	(34)	61
Printing & Publishing	200	200	608	408	20
Comp. Insurance	3,450	3,450	5,590	2,140	3,764
Vehicle Insurance	5,500	5,500	2,093	(3,407)	2,225
Electricity - Fire Dept	8,000	8,000	9,495	1,495	5,722
Water & Sewer - Fire Dept	2,000	2,000	1,542	(458)	1,338
Natural Gas - Fire Dept	4,000	4,000	6,131	2,131	6,004
Maint & Repair (Bldg)	7,000	7,000	9,001	2,001	5,030
Maint & Repair (Equip)	1,000	1,000	4,887	3,887	4,100
Maint. Contract (Software)	700	700	10,894	10,194	930
Maint Contract - Air Compressor	0	0	75	75	0
Maint. Contract - Copier	100	100	0	(100)	0
Maint & Repair (Vehicle)	18,000	18,000	26,898	8,898	19,849
Dues & Subscriptions	700	700	1,986	1,286	1,236
Miscellaneous	500	500	142	(358)	822
Salaries (P/T) - Fire Dept	49,200	49,200	58,032	8,832	44,075
Fica - Fire Dept	2,542	2,542	3,269	727	3,151
Medicare - Fire Dept	582	582	765	183	939
Wages (F/T) - PW Crew Time	6,085	6,085	5,450	(635)	5,827
Wages (O/T) - PW Crew Time	290	290	190	(100)	48
On Call-Public Works	62	62	105	43	179
Pera - Public Works	478	478	419	(59)	454
Fica - Public Works	395	395	340	(55)	403
Medicare - Public Works	91	91	80	(11)	94
Insurance Benefits - PW	990	990	762	(228)	929

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Safety:					
Building Inspector:					
Professional Services	\$ 416	\$ 416	\$ 349	\$ (67)	\$ 526
Inspector's Fees	25,000	25,000	51,763	26,763	30,405
Payroll Expense	150	150	69	(81)	162
State Surcharge Tax	2,000	2,000	7,877	5,877	592
Salary (F/T) - PW/Admin	33,487	33,487	32,669	(818)	27,659
Overtime (F/T) - PW/Admin	200	200	103	(97)	13
Pera	2,466	2,466	2,300	(166)	2,185
Fica	2,038	2,038	1,876	(162)	1,801
Medicare	467	467	439	(28)	421
Insurance Benefits	3,146	3,146	3,215	69	2,610
Civil Defense:					
Maint. & Repair Equip	400	400	0	(400)	0
Animal Control:					
Other Supplies	150	150	61	(89)	154
Veterinary Services	400	400	0	(400)	0
Total Public Safety	<u>1,054,058</u>	<u>1,054,058</u>	<u>1,146,414</u>	<u>92,356</u>	<u>1,024,965</u>
Public Works:					
Public Works:					
Salaries (F/T)	86,820	86,820	86,393	(427)	77,397
Overtime (F/T)	8,062	8,062	3,181	(4,881)	470
Salaries (P/T)	0	0	4,453	4,453	0
On Call - Public Works	2,106	2,106	2,813	707	8,511
Pera - Public Works	7,258	7,258	6,582	(676)	6,770
Fica - Public Works	6,000	6,000	5,220	(780)	5,107
Medicare - Public Works	1,374	1,374	1,221	(153)	1,196
Insurance Benefits - PW	20,589	20,589	20,650	61	19,832
Worker's Compensation	2,200	2,200	1,531	(669)	1,859
Office Supplies	500	500	2	(498)	85
Operatiing Supplies	8,000	8,000	11,578	3,578	9,427
Motor Fuels - Public Works	15,000	15,000	20,713	5,713	15,563
Clothing	800	800	988	188	200
Maint & Repair Supplies	3,000	3,000	3,689	689	1,099
Tools & Small Equipment	1,173	1,173	2,836	1,663	1,385
Professional Services	1,248	1,248	1,047	(201)	1,578
Engineering Fees	0	0	12,762	12,762	539
Payroll Expense	440	440	242	(198)	569
Compost Site Expense	8,000	8,000	24,660	16,660	1,465
Telephone	2,250	2,250	3,895	1,645	3,470
Postage	115	115	81	(34)	130
Radio Units/Cell Phones	2,500	2,500	745	(1,755)	3,579
Travel/Training	2,000	2,000	740	(1,260)	733
Vehicle Licenses	250	250	272	22	21
Printing & Publishing	300	300	446	146	21
Comp Insurance	4,710	4,710	5,802	1,092	5,033
Vehicle Insurance	1,000	1,000	685	(315)	632

CITY OF ANNANDALE, MINNESOTA

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

For the Year Ended December 31, 2022

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Public Works:					
Public Works:					
Insurance Claims	\$ 250	\$ 250	\$ 0	\$ (250)	\$ 0
Water & Sewer - Public Works	2,300	2,300	1,522	(778)	1,470
Natural Gas - Public Works	500	500	711	211	904
Maint & Repair (Bldg)	1,500	1,500	4,174	2,674	2,131
Maint & Repair (Equip)	4,000	4,000	5,868	1,868	4,776
Maint Contract Copier	360	360	412	52	303
Maint. & Repair (Technology)	200	200	1,550	1,350	69
Maint & Repair (Vehicle)	2,500	2,500	25	(2,475)	602
Uniform Rental - Public Works	1,400	1,400	174	(1,226)	1,257
Miscellaneous	100	100	32	(68)	21
Salaries (P/T) Seasonal	3,744	3,744	0	(3,744)	187
Fica - Seasonal	241	241	(14)	(255)	40
Medicare - Seasonal	55	55	(3)	(58)	9
Streets:					
Salary (F/T)	87,682	87,682	84,528	(3,154)	79,411
Overtime (F/T)	8,586	8,586	3,642	(4,944)	458
Salaries (P/T)	0	0	0	0	200
On Call-Public Works	2,044	2,044	2,872	828	5,830
Pera	7,351	7,351	6,472	(879)	6,687
Fica	6,077	6,077	4,872	(1,205)	5,049
Medicare	1,392	1,392	1,139	(253)	1,182
Insurance Benefits	19,977	19,977	20,057	80	18,738
Worker's Compensation	2,200	2,200	1,531	(669)	1,832
Other Supplies	200	200	265	65	453
Motor Fuels - Streets	4,500	4,500	11,219	6,719	3,872
Street Maint. Materials	19,000	19,000	23,372	4,372	15,689
Signage Materials	4,000	4,000	2,107	(1,893)	2,059
Small Tools	500	500	376	(124)	737
Professional Services	1,248	1,248	1,047	(201)	1,578
Engineering Fees	5,000	5,000	0	(5,000)	27,395
Snow Removal Contractor	1,500	1,500	0	(1,500)	420
Payroll Expense	440	440	242	(198)	569
Vehicle License	0	0	39	39	0
Comp Insurance	5,100	5,100	3,863	(1,237)	5,166
Vehicle Insurance	1,600	1,600	1,057	(543)	1,294
Electricity (Street Lights)	53,000	53,000	32,156	(20,844)	41,867
Maint & Repair (Streets)	6,500	6,500	8,503	2,003	5,261
Maint & Repair (Equip)	12,000	12,000	31,224	19,224	13,612
Maint. & Repair (Ditches)	6,000	6,000	0	(6,000)	200
Maint & Repair (Str. Lights)	2,500	2,500	37	(2,463)	1,056
RR Crossing	0	0	0	0	150
Miscellaneous	0	0	2,500	2,500	0
Total Public Works	<u>461,242</u>	<u>461,242</u>	<u>480,798</u>	<u>19,556</u>	<u>419,205</u>

CITY OF ANNANDALE, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Parks and Recreation:					
Parks Commission:					
Salaries (P/T) - Parks Comm	\$ 1,320	\$ 1,320	\$ 1,570	\$ 250	\$ 1,170
Fica - Park Commission	82	82	95	13	73
Medicare - Park Commission	19	19	22	3	17
Worker's Compensation	2,200	2,200	1,556	(644)	1,864
Professional Services	208	208	175	(33)	263
Engineering Fees	100	100	475	375	0
Legal Fees	100	100	0	(100)	0
Postage	170	170	122	(48)	182
Miscellaneous	150	150	0	(150)	0
Parks Department:					
Salary (F/T)	25,548	25,548	25,166	(382)	22,655
Wages (O/T) - PW Crew Time	2,199	2,199	1,119	(1,080)	103
Salaries (P/T)	0	0	8,906	8,906	0
On Call-Public Works	546	546	779	233	1,433
Pera - Public Works	2,114	2,114	1,913	(201)	1,897
Fica - Public Works	1,748	1,748	2,021	273	1,452
Medicare - Public Works	400	400	473	73	340
Insurance Benefits - PW	5,627	5,627	5,235	(392)	5,149
Worker's Compensation	3,025	3,025	2,300	(725)	1,999
Operating Supplies	3,000	3,000	7,476	4,476	4,763
Motor Fuels - Parks	5,000	5,000	7,925	2,925	5,524
Maint & Repair Supplies	1,500	1,500	252	(1,248)	1,656
Portable Stage Maint. & Repair	500	500	7,338	6,838	0
Tools and Small Equipment	0	0	16	16	101
Professional Services	624	624	524	(100)	789
Contracted Cleaning Service	0	0	1,390	1,390	5,120
Payroll Expense	160	160	104	(56)	244
Tree Removal	1,000	1,000	0	(1,000)	0
Comp Insurance	24,760	24,760	22,561	(2,199)	25,640
Electricity - Parks	9,000	9,000	6,532	(2,468)	6,259
Water & Sewer - Parks	4,500	4,500	9,292	4,792	8,895
Natural Gas - Parks	1,200	1,200	1,559	359	1,682
Maint & Repair (Bldgs)	4,500	4,500	4,663	163	3,010
Lake & Beach Maintenance	1,200	1,200	259	(941)	1,765
Maint & Repair (Equip)	2,000	2,000	5,099	3,099	2,538
Maint & Repair (Landscaping)	7,000	7,000	9,021	2,021	13,640
Portable Toilets (4th Of July)	6,000	6,000	6,779	779	5,805
Miscellaneous	22,000	22,000	23,195	1,195	106
Salaries (P/T)	7,488	7,488	0	(7,488)	388
Fica - Seasonal	482	482	0	(482)	40
Medicare - Seasonal	113	113	0	(113)	9

CITY OF ANNANDALE, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
<b>Current Expenditures (Continued):</b>					
Parks and Recreation:					
Library:					
Contracted Cleaning Service	\$ 4,440	\$ 4,440	\$ 4,851	\$ 411	\$ 5,660
Comp Insurance	835	835	1,332	497	940
Electricity - Library	2,000	2,000	2,000	0	2,000
Water & Sewer - Library	325	325	325	0	325
Natural Gas - Library	1,500	1,500	1,500	0	1,500
Maint. & Repair (Bldg)	1,000	1,000	380	(620)	345
Wages (F/T) PW Crew Time	4,424	4,424	4,220	(204)	4,113
Wages (O/T) - PW Crew Time	438	438	195	(243)	17
On Call - Public Works	109	109	156	47	287
Pera - Public Works	373	373	341	(32)	330
Fica - Public Works	308	308	256	(52)	249
Medicare - Public Works	71	71	60	(11)	58
Insurance Benefits - PW	1,047	1,047	1,009	(38)	953
Total Parks and Recreation	<u>164,453</u>	<u>164,453</u>	<u>182,537</u>	<u>18,084</u>	<u>143,348</u>
<b>Capital Outlay:</b>					
General Government	2,600	2,600	9,400	6,800	7,440
Public Safety	1,500	1,500	1,162	(338)	1,262
Public Works	0	0	5,000	5,000	0
Park and Recreation	0	0	19,175	19,175	4,216
Total Capital Outlay	<u>4,100</u>	<u>4,100</u>	<u>34,737</u>	<u>30,637</u>	<u>12,918</u>
Total Expenditures	<u>2,269,797</u>	<u>2,269,797</u>	<u>2,583,363</u>	<u>313,566</u>	<u>2,174,064</u>
Excess of Revenues Over (Under) Expenditures	<u>506,093</u>	<u>506,093</u>	<u>590,557</u>	<u>84,464</u>	<u>571,035</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers Out	(526,400)	(526,400)	(870,746)	344,346	(226,900)
Operating Transfers In	0	0	13,152	13,152	0
Total Other Financing Sources (Uses)	<u>(526,400)</u>	<u>(526,400)</u>	<u>(857,594)</u>	<u>(331,194)</u>	<u>(226,900)</u>
Change in Fund Balance	<u>\$ (20,307)</u>	<u>\$ (20,307)</u>	<u>(267,037)</u>	<u>\$ (246,730)</u>	344,135
Fund Balance - January 1			<u>2,554,744</u>		<u>2,210,609</u>
Fund Balance - December 31			<u>\$ 2,287,707</u>		<u>\$ 2,554,744</u>

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CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION  
WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 641,574	\$ 452,752
Accounts Receivable	54,522	53,593
Due from Other Governments	6,275	5,786
Prepaid Expense	14,544	9,829
Total Current Assets	716,915	521,960
<b>Noncurrent Assets:</b>		
Advance to Other Funds	58,700	73,700
Special Assessments	2,609	3,652
Capital Assets Not Being Depreciated	143,700	66,881
Other Capital Assets, Net of Depreciation	4,803,307	4,998,032
Total Noncurrent Assets	5,008,316	5,142,265
Total Assets	5,725,231	5,664,225
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	94,318	55,213
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,819,549	\$ 5,719,438
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 24,711	\$ 23,442
Due to Other Governments	1,786	0
Current Portion of Long-term Debt	285,413	250,000
Total Current Liabilities	311,910	273,442
<b>Long-term Liabilities:</b>		
Revenue Note Payable, Net of Current Portion	1,712,632	844,000
Net Pension Liability	125,445	62,661
Total Liabilities	2,149,987	1,180,103
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	37,753	62,924
<b>Net Position:</b>		
Net Investment in Capital Assets	2,948,961	3,970,913
Unrestricted	682,848	505,498
Total Net Position	3,631,809	4,476,411
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 5,819,549	\$ 5,719,438

## CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
WATER FUND

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 635,067	\$ 651,471	\$ 16,404	\$ 676,708
<b>Operating Expenses:</b>				
Personnel Services	174,483	173,599	(884)	144,938
Materials and Supplies	36,700	79,883	43,183	84,313
Professional Fees	3,894	33,546	29,652	8,686
Insurance	11,634	13,145	1,511	12,135
Utilities	35,000	55,476	20,476	38,844
Repairs and Maintenance	22,625	22,783	158	40,419
Contracted Services	6,400	3,282	(3,118)	1,598
Other Charges	11,900	13,443	1,543	13,541
Depreciation	0	194,725	194,725	172,080
Total Operating Expenses	<u>302,636</u>	<u>589,882</u>	<u>287,246</u>	<u>516,554</u>
Income (Loss) from Operations	332,431	61,589	(270,842)	160,154
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Fiscal Charges	(216,699)	(27,098)	189,601	(22,243)
Reimbursements	25,879	32,333	6,454	17,495
Access Fees and Other Revenues	26,000	204,041	178,041	76,552
Investment Earnings	600	(5,901)	(6,501)	793
Total Nonoperating Revenues (Expenses)	<u>(164,220)</u>	<u>203,375</u>	<u>367,595</u>	<u>72,597</u>
Income Before Transfers and Other Items	168,211	264,964	96,753	232,751
<b>Transfers and Other Items</b>				
Capital Contributions	0	(1,054,566)	(1,054,566)	958,236
Transfers In	1	0	(1)	0
Transfers Out	(105,000)	(55,000)	50,000	(70,000)
Total Transfers and Other Items	<u>(104,999)</u>	<u>(1,109,566)</u>	<u>(1,004,567)</u>	<u>888,236</u>
Change in Net Position	<u>\$ 63,212</u>	(844,602)	<u>\$ (907,814)</u>	1,120,987
Net Position - January 1		<u>4,476,411</u>		<u>3,355,424</u>
Net Position - December 31		<u>\$ 3,631,809</u>		<u>\$ 4,476,411</u>

## CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION  
SEWER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 52,342	\$ 1,565
Accounts Receivable	109,641	109,099
Due from Other Governments	17,400	22,092
Prepaid Expense	14,937	13,001
Total Current Assets	194,320	145,757
<b>Noncurrent Assets:</b>		
Special Assessments	2,609	3,652
Restricted Cash	234,011	193,087
Equity Interest in Joint Venture	6,154,083	6,581,047
Capital Assets Not Being Depreciated	273,144	191,067
Other Capital Assets, Net of Depreciation	3,677,421	3,813,719
Total Noncurrent Assets	10,341,268	10,782,572
Total Assets	10,535,588	10,928,329
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	141,675	81,483
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,677,263	\$ 11,009,812
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 107,668	\$ 110,257
Due to Other Governments	96,243	51,072
Due to Other Funds	0	276,500
Current Portion of Long-term Debt	1,028,362	1,004,000
Total Current Liabilities	1,232,273	1,441,829
<b>Long-term Liabilities:</b>		
Revenue Notes Payable, Net of Current Portion	3,492,709	4,306,000
Net Pension Liability	188,430	92,474
Total Liabilities	4,913,412	5,840,303
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	56,708	92,862
<b>Net Position:</b>		
Net Investment in Capital Assets	3,649,494	3,912,786
Restricted	234,011	193,087
Unrestricted	1,823,638	970,774
Total Net Position	5,707,143	5,076,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 10,677,263	\$ 11,009,812

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
SEWER FUND

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,125,743	\$ 1,176,791	\$ 51,048	\$ 1,179,770
<b>Operating Expenses:</b>				
Personnel Services	262,603	240,333	(22,270)	208,988
Materials and Supplies	11,000	11,735	735	13,083
Professional Fees	4,124	4,643	519	6,350
Insurance	10,734	11,004	270	10,586
Utilities	12,500	17,976	5,476	13,829
Repairs and Maintenance	56,325	17,782	(38,543)	19,446
Wastewater Commission Charges	728,000	706,041	(21,959)	621,257
Contracted Services	6,550	5,649	(901)	4,473
Other Charges	35,000	(3,538)	(38,538)	(37)
Depreciation	0	136,297	136,297	115,262
Total Operating Expenses	<u>1,126,836</u>	<u>1,147,922</u>	<u>21,086</u>	<u>1,013,237</u>
Income (Loss) from Operations	(1,093)	28,869	29,962	166,533
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Fiscal Charges	(1,113,840)	(116,503)	997,337	(129,447)
Reimbursements	1,179,840	1,200,062	20,222	1,178,207
Government Grants	0	860,285	860,285	0
Access Fees and Other Revenues	40,700	174,939	134,239	70,609
Investment Earnings	600	(2,663)	(3,263)	1,726
Total Nonoperating Revenues (Expenses)	<u>107,300</u>	<u>2,116,120</u>	<u>2,008,820</u>	<u>1,121,095</u>
Income Before Transfers and Other Items	106,207	2,144,989	2,038,782	1,287,628
<b>Transfers and Other Items</b>				
Capital Contributions	0	(983,529)	(983,529)	893,857
Change in Equity Interest	0	(426,964)	(426,964)	(151,645)
Transfers In	22,500	0	(22,500)	0
Transfers Out	(159,000)	(104,000)	55,000	(144,000)
Total Transfers and Other Items	<u>(136,500)</u>	<u>(1,514,493)</u>	<u>(1,377,993)</u>	<u>598,212</u>
Change in Net Position	<u>\$ (30,293)</u>	630,496	<u>\$ 660,789</u>	1,885,840
Net Position - January 1		<u>5,076,647</u>		<u>3,190,807</u>
Net Position - December 31		<u>\$ 5,707,143</u>		<u>\$ 5,076,647</u>

## CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION  
REFUSE FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 26,969	\$ 34,003
Accounts Receivable	23,351	23,145
Due from Other Governments	0	3,673
Prepaid Expense	980	1,204
Total Current Assets	<u>51,300</u>	<u>62,025</u>
<b>Noncurrent Assets:</b>		
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	253	592
Total Noncurrent Assets	<u>20,253</u>	<u>20,592</u>
Total Assets	71,553	82,617
<b>Deferred Outflows of Resources:</b>		
Pension Plan Deferments	<u>18,906</u>	<u>11,613</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 90,459</u>	<u>\$ 94,230</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	\$ 18,463	\$ 15,454
Due to Other Governments	1,244	0
Total Current Liabilities	<u>19,707</u>	<u>15,454</u>
<b>Long-term Liabilities:</b>		
Net Pension Liability	<u>25,145</u>	<u>13,179</u>
Total Liabilities	<u>44,852</u>	<u>28,633</u>
<b>Deferred Inflows of Resources:</b>		
Pension Plan Deferments	<u>7,567</u>	<u>13,235</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	20,253	20,592
Unrestricted	17,787	31,770
Total Net Position	<u>38,040</u>	<u>52,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 90,459</u>	<u>\$ 94,230</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
REFUSE FUND

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 202,960	\$ 216,132	\$ 13,172	\$ 211,281
<b>Operating Expenses:</b>				
Personnel Services	33,557	32,294	(1,263)	23,150
Materials and Supplies	4,700	2,370	(2,330)	2,275
Professional Fees	1,469	1,291	(178)	2,003
Repairs and Maintenance	2,000	5,772	3,772	1,746
Contracted Services	165,902	191,608	25,706	157,309
Other Charges	300	2,130	1,830	2,403
Depreciation	0	338	338	338
Total Operating Expenses	<u>207,928</u>	<u>235,803</u>	<u>27,875</u>	<u>189,224</u>
Income (Loss) from Operations	(4,968)	(19,671)	(14,703)	22,057
<b>Nonoperating Revenues (Expenses):</b>				
Access Fees and Other Revenues	7,000	5,645	(1,355)	5,680
Investment Earnings	0	(296)	(296)	0
Total Nonoperating Revenues (Expenses)	<u>7,000</u>	<u>5,349</u>	<u>(1,651)</u>	<u>5,680</u>
Change in Net Position	<u>\$ 2,032</u>	(14,322)	<u>\$ (16,354)</u>	27,737
Net Position - January 1		<u>52,362</u>		<u>24,625</u>
Net Position - December 31		<u>\$ 38,040</u>		<u>\$ 52,362</u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF NET POSITION

STORM WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 6,862	\$ 3,276
Accounts Receivable	<u>4,670</u>	<u>4,608</u>
Total Current Assets	<u>11,532</u>	<u>7,884</u>
<b>Noncurrent Assets:</b>		
Other Capital Assets, Net of Depreciation	<u>2,160,212</u>	<u>2,248,347</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,171,744</u></u>	<u><u>\$ 2,256,231</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Due to Other Funds	<u>0</u>	<u>17,718</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	2,160,212	2,248,346
Unrestricted	<u>11,532</u>	<u>(9,833)</u>
Total Net Position	<u>2,171,744</u>	<u>2,238,513</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,171,744</u></u>	<u><u>\$ 2,256,231</u></u>

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - BUDGET AND ACTUAL  
STORM WATER FUND

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
<b>Operating Revenues:</b>				
Charges for Services	\$ 46,500	\$ 48,099	\$ 1,599	\$ 47,228
<b>Operating Expenses:</b>				
Professional Fees	391	639	248	526
Repairs and Maintenance	0	0	0	2,820
Other Charges	0	175	175	0
Depreciation	0	88,134	88,134	88,134
Total Operating Expenses	<u>391</u>	<u>88,948</u>	<u>88,557</u>	<u>91,480</u>
Income (Loss) from Operations	46,109	(40,849)	(86,958)	(44,252)
<b>Nonoperating Revenues (Expenses):</b>				
Reimbursements	2,900	6,100	3,200	7,885
Investment Earnings	0	(20)	(20)	0
Total Nonoperating Revenues (Expenses)	<u>2,900</u>	<u>6,080</u>	<u>3,180</u>	<u>7,885</u>
Income (Loss) Before Transfers and Other Items	49,009	(34,769)	(83,778)	(36,367)
<b>Transfers and Other Items</b>				
Transfers Out	<u>(32,000)</u>	<u>(32,000)</u>	<u>0</u>	<u>(42,000)</u>
Change in Net Position	<u>\$ 17,009</u>	(66,769)	<u>\$ (83,778)</u>	(78,367)
Net Position - January 1		<u>2,238,513</u>		<u>2,316,880</u>
Net Position - December 31		<u>\$ 2,171,744</u>		<u>\$ 2,238,513</u>



SINGLE AUDIT AND OTHER REQUIRED REPORTS

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2022

Federal Agency/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Expenditures
<b>Environmental Protection Agency:</b>			
<i>Passed through Minnesota Public Facilities Authority:</i>			
Capitalization Grants for Clean Water State Revolving Funds	44.458	EAKRSZLNQRL1	\$ 1,075,356
Capitalization Grants for Drinking Water State Revolving Funds	44.468	EAKRSZLNQRL1	<u>1,154,045</u>
Total Environmental Protection Agency			2,229,401
<b>Department of Housing and Urban Development:</b>			
<i>Passed through Minnesota Department of Economic Development:</i>			
Community Development Block Grant - Infrastructure Fund	14.228	B-19-DC-27-0001	195,662
<b>Department of the Treasury:</b>			
<i>Passed through State of Minnesota:</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	MN0019	<u>384,346</u>
Total Federal Financial Assistance			<u>\$ 2,809,409</u>

CITY OF ANNANDALE, MINNESOTA  
ANNANDALE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2022

Note 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Annandale, Minnesota (the City). The City’s reporting entity is defined in Note 1 of the financial statements.

Note 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E – Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 4 SUBRECIPIENTS

No federal financial assistance has been provided to a subrecipient.

Note 5 DE MINIMIS COST RATE

The City elected not to charge the de minimis indirect cost rate of 10% to federal programs.

Note 6 FEDERAL LOAN PROGRAM

As of December 31, 2022, the City had outstanding loan balances under the Capitalization Grants for Clean/Drinking Water State Revolving Funds programs, included in the accompanying Schedule of Expenditures of Federal Awards. The loan balances consisted of the following:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2022
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 215,071
66.468	Capitalization Grants for Drinking Water State Revolving Funds	1,154,045
	Total loans outstanding	\$ 1,369,116



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and  
Members of the City Council  
Annandale, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Annandale, Minnesota, (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
June 2, 2023



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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
Annandale, 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, business-type activities, each major fund and the aggregate fund information of the City of Annandale, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2023.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

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

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
June 2, 2023



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

Honorable Mayor and  
Members of the City Council  
City of Annandale  
Annandale, 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 Annandale, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2023.

## Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2022-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2022-002 and 2022-003.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as noted in the schedule of findings and responses.

### **City's Response to Findings**

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

### **Purpose of this Report**

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



Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota  
June 2, 2023

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2022

**Part I Summary of Audit Results**

1. The auditor’s report expresses an unmodified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City.
2. One material weakness and two significant deficiencies were disclosed during the audit of the basic financial statements of the City.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. The auditor’s report on compliance for the major federal programs of the City expresses an unmodified opinion.
5. Audit findings relative to the major federal programs for the City are reported in Part III of this schedule.
6. The following was tested as a major program:
  - a. Capitalization Grants for Drinking Water State Revolving Funds – Federal Assistance Listing number 66.468
7. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
8. The City does not qualify as low-risk auditee.

**Part II Findings - Financial Statements Audit**

**CURRENT YEAR FINANCIAL STATEMENT FINDINGS**

Material Weakness

**Finding 2022-001. Material Audit Adjustments**

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2022

**Finding 2022-001. Material Audit Adjustments – (Continued)**

**Corrective Action Plan (CAP)**

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

Significant Deficiencies

**Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes**

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2022

**Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes – (Continued)**

**Corrective Action Plan (CAP)**

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

**Finding 2022-003. Limited Segregation of Duties**

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

CITY OF ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2022

**Finding 2022-003. Limited Segregation of Duties – (Continued)**

**Corrective Action Plan (CAP)**

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Kelly Hinnenkamp, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

**Part III Findings and Questioned Costs - Major Federal Programs Audit**

None reported.

**Part IV Minnesota Legal Compliance**

None reported.

CITY OF ANNANDALE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2022

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

**Minnesota Legal Compliance Findings:**

None

**APPENDIX F:  
CONTINUING DISCLOSURE FILINGS**

The following pages have been printed directly from the EMMA website information for the Continuing Disclosure filings in recent years.

[Home](#) > [Issuers By State](#) > [Minnesota](#) > [Issuer Homepage](#) > [Issue Details](#)

## Issue Details



**CITY OF ANNANDALE, MINNESOTA GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019B (MN)**  
ANNANDALE MINN GO REF BDS 2019B (MN)\*

**Dated Date:** 11/04/2019  
**Underwriting Spread Amount:** Disclosed in Official Statement  
**Closing Date:** 11/04/2019  
**Time of Formal Award:** 10/04/2019 10:59 AM  
**Time of First Execution:** 10/04/2019 01:30 PM

[Final Scale](#)   [Official Statement](#)   [Continuing Disclosure](#)   [Trade Activity](#)

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.

### FINANCIAL INFORMATION & DOCUMENTS Collapse ▲

**Most Recent** [CD Report - Year end 2022 - Annandale MN for the year ended 12/31/2022 posted 10/25/2023 \(2.6 MB\)](#) [details](#)  
[2022 Audit - Annandale MN for the year ended 12/31/2022 posted 10/25/2023 \(930 KB\)](#) [details](#)

#### Annual Financial Information and Operating Data

[CD Report - Year end 2022 - Annandale MN for the year ended 12/31/2022 posted 10/25/2023 \(2.6 MB\)](#) [details](#)  
[CD Report - Year end 2021 - Annandale MN for the year ended 12/31/2021 posted 10/12/2022 \(372 KB\)](#) [details](#)  
[CD Report - Year end 2020 - Annandale MN for the year ended 12/31/2020 posted 12/07/2021 \(386 KB\)](#) [details](#)  
[CD Report - Year end 2019 - Annandale MN for the year ended 12/31/2019 posted 09/01/2020 \(1.3 MB\)](#) [details](#)

#### Audited Financial Statements or ACFR

[2022 Audit - Annandale MN for the year ended 12/31/2022 posted 10/25/2023 \(930 KB\)](#) [details](#)  
[2021 Audit - Annandale MN for the year ended 12/31/2021 posted 07/27/2022 \(923 KB\)](#) [details](#)  
[2020 Audit - Annandale MN for the year ended 12/31/2020 posted 12/07/2021 \(873 KB\)](#) [details](#)  
[2019 Audit - Annandale MN for the year ended 12/31/2019 posted 09/01/2020 \(513 KB\)](#) [details](#)

### EVENT NOTICES Collapse ▲

**Most Recent** [Notice of Failure to File 2023B Note Issuance dated 08/22/2023 posted 08/22/2023 \(82 KB\)](#) [details](#)  
[Notice of Incurrence of Financial Obligation as of 08/01/2023 posted 08/22/2023 \(82 KB\)](#) [details](#)

#### Failure to Provide Event Filing Information

[Notice of Failure to File 2023B Note Issuance dated 08/22/2023 posted 08/22/2023 \(82 KB\)](#) [details](#)

#### Financial Obligation - Incurrence or Agreement

[Notice of Incurrence of Financial Obligation as of 08/01/2023 posted 08/22/2023 \(82 KB\)](#) [details](#)  
[Notice of Debt Issuance - G.O. Equipment Certificate, Series 2022A as of 04/01/2022 posted 04/01/2022 \(81 KB\)](#) [details](#)

#### Rating Change

[Moody's Credit Opinion - Rating Upgrade - Annandale MN dated 12/16/2022 posted 12/16/2022 \(587 KB\)](#) [details](#)

#### Links to Former NRMSIRs

Until 2009, the organizations listed below served as Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and may have primary market and continuing disclosure documents produced before July 1, 2009, when the EMMA website became the official repository for municipal market disclosures.

[Bloomberg L.P.](#)  
[DPC Data](#)  
[ICF Data Services](#) (formerly Interactive Data Pricing and Reference Data)  
[Standard & Poor's](#)



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