

**CITY OF MENAHGA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2023**

DRAFT

# CITY OF MENAHGA, MINNESOTA

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## ELECTED OFFICIALS

		Term Expires
Elizabeth Olson	Mayor	2024
Durwin Tomperi	Council Member	2024
Daniel Warmbold	Council Member	2024
Jody Bjornson	Council Member	2026
Michael Netland	Council Member	2026

## EX OFFICIO

Jensine Kurtti	Interim City Clerk/Treasurer	Appointed
Alvina Kytta	Temporary Deputy City Clerk	Appointed

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Menahga, Minnesota

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

#### ***Opinions***

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Menahga, Minnesota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Greenwood Connections, the discretely presented component unit, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Greenwood Connections, is based solely on the report of the other auditors.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Menahga, Minnesota, 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 of Menahga, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and pension 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 required supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024, on our consideration of the City of Menahga, Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Menahga, Minnesota’s internal control over financial reporting and compliance.

*Carlson AV LLP*

Fergus Falls, Minnesota  
July 29, 2024

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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This section of the City of Menahga's financial report provides the reader with management's overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, and (4) identify any changes in the City's financial plan (approved budget).

The financial discussion and analysis presented in this section is intended to be used in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

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

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$6,294,495 (net position) as of December 31, 2023. Of this amount, \$917,449 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$73,257.
- Government-wide revenues were \$3,386,347 while government-wide expenses totaled \$3,313,090.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$887,265, an increase of \$134,521.
- The City's total bonded debt decreased by \$505,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements, providing information for the City as a whole.
- 2) Fund financial statements, providing detailed information for the City's significant funds.
- 3) Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. A brief description of the basic financial statements follows:

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**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 liabilities, with the difference between the two 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.

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 the 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 and earned, but not used, compensated absences).

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, streets and highways, housing and economic development, and culture and recreation. The business-type activities of the City include water utility, sewer utility, and liquor store operations.

The government-wide financial statements can be found on pages 17 and 18 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 of the funds of the City can be divided into two categories: governmental funds and proprietary 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.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

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 government's near-term financing decisions. The governmental funds' balance sheet and the 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 eight individual governmental funds. Information is presented separately in the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of 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 the budget.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds – The City maintains three types of proprietary funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, and liquor store services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, sewer utility, and liquor store services, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on page 26 and 27 of this report.

**CITY OF MENA HGA, MINNESOTA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

Notes to the financial statements 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 28-73 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 74-87 of this report. Also, this report presents certain other supplementary information such as combining financial information for nonmajor governmental funds. Other supplementary information can be found on pages 88-94 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 \$6,294,495 at the close of the most recent fiscal year.

**Net Position**

The City’s net position was \$6,294,495 on December 31, 2023. (See details in the table below.)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current	\$ 5,469,823	\$ 5,595,902	\$ 1,775,681	\$ 1,748,099	\$ 7,245,504	\$ 7,344,001
Noncurrent	50,152	201,872	-	-	50,152	201,872
Capital assets, net	1,706,623	1,833,793	4,504,981	4,573,408	6,211,604	6,407,201
Total Assets	7,226,598	7,631,567	6,280,662	6,321,507	13,507,260	13,953,074
Deferred outflows of resources	476,000	530,240	34,993	63,114	510,993	593,354
Liabilities						
Current	562,303	561,001	75,254	109,656	637,557	670,657
Long-term	5,590,308	6,693,262	936,327	808,267	6,526,635	7,501,529
Total Liabilities	6,152,611	7,254,263	1,011,581	917,923	7,164,192	8,172,186
Deferred Inflows of Resources	511,813	141,156	47,753	17,578	559,566	158,734
Net Position						
Net investment in capital assets	1,040,990	1,068,566	3,714,981	3,986,328	4,755,971	5,054,894
Restricted	621,075	601,138	-	-	621,075	601,138
Unrestricted	(623,891)	(903,316)	1,541,340	1,462,792	917,449	559,476
<b>TOTAL NET POSITION</b>	<b>\$ 1,038,174</b>	<b>\$ 766,388</b>	<b>\$ 5,256,321</b>	<b>\$ 5,449,120</b>	<b>\$ 6,294,495</b>	<b>\$ 6,215,508</b>

**CITY OF MENAHGA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

A large portion of the City's net position (76%) reflects its investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), 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.

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

**Change in Net Position**

The City-wide total revenues were \$3,386,347 for the year ended December 31, 2023. Property taxes and intergovernmental revenues accounted for 29% of total revenue for the year (see table below).

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 373,157	\$ 341,290	\$ 1,726,371	\$ 1,620,250	\$ 2,099,528	\$ 1,961,540
Operating grants and contributions	135,886	131,923	-	-	135,886	131,923
Capital grants and contributions	10,000	4,950	-	231,250	10,000	236,200
General revenues						
Property taxes	544,434	493,032	-	-	544,434	493,032
Franchise fees	500	2,000	-	-	500	2,000
Tax increment	19,408	17,765	-	-	19,408	17,765
Payments in lieu of taxes	25,000	25,000	-	-	25,000	25,000
Aids and payments from the state	428,850	419,881	-	-	428,850	419,881
Unrestricted investment earnings	25,381	6,207	50,746	12,527	76,127	18,734
Gain on sale of capital assets	-	203,263	-	-	-	203,263
Miscellaneous revenues	27,189	38,848	19,425	8,281	46,614	47,129
Total Revenues	<u>1,589,805</u>	<u>1,684,159</u>	<u>1,796,542</u>	<u>1,872,308</u>	<u>3,386,347</u>	<u>3,556,467</u>
Expenses						
General government	466,531	581,288	-	-	466,531	581,288
Public safety	462,657	620,410	-	-	462,657	620,410
Public works	220,039	194,637	-	-	220,039	194,637
Culture and recreation	63,806	66,116	-	-	63,806	66,116
Economic development	16,038	17,348	-	-	16,038	17,348
Interest on long-term debt	171,692	175,433	-	-	171,692	175,433
Water	-	-	505,868	440,863	505,868	440,863
Sewer	-	-	344,836	288,619	344,836	288,619
Liquor	-	-	1,061,623	1,033,395	1,061,623	1,033,395
Total Expenses	<u>1,400,763</u>	<u>1,655,232</u>	<u>1,912,327</u>	<u>1,762,877</u>	<u>3,313,090</u>	<u>3,418,109</u>
Revenues over (under) expenditures	189,042	28,927	(115,785)	109,431	73,257	138,358
Transfers	87,744	(75,030)	(87,744)	75,030	-	-
<b>CHANGE IN NET POSITION</b>	<u><b>\$ 276,786</b></u>	<u><b>\$ (46,103)</b></u>	<u><b>\$ (203,529)</b></u>	<u><b>\$ 184,461</b></u>	<u><b>\$ 73,257</b></u>	<u><b>\$ 138,358</b></u>

**CITY OF MENAHGA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2023**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

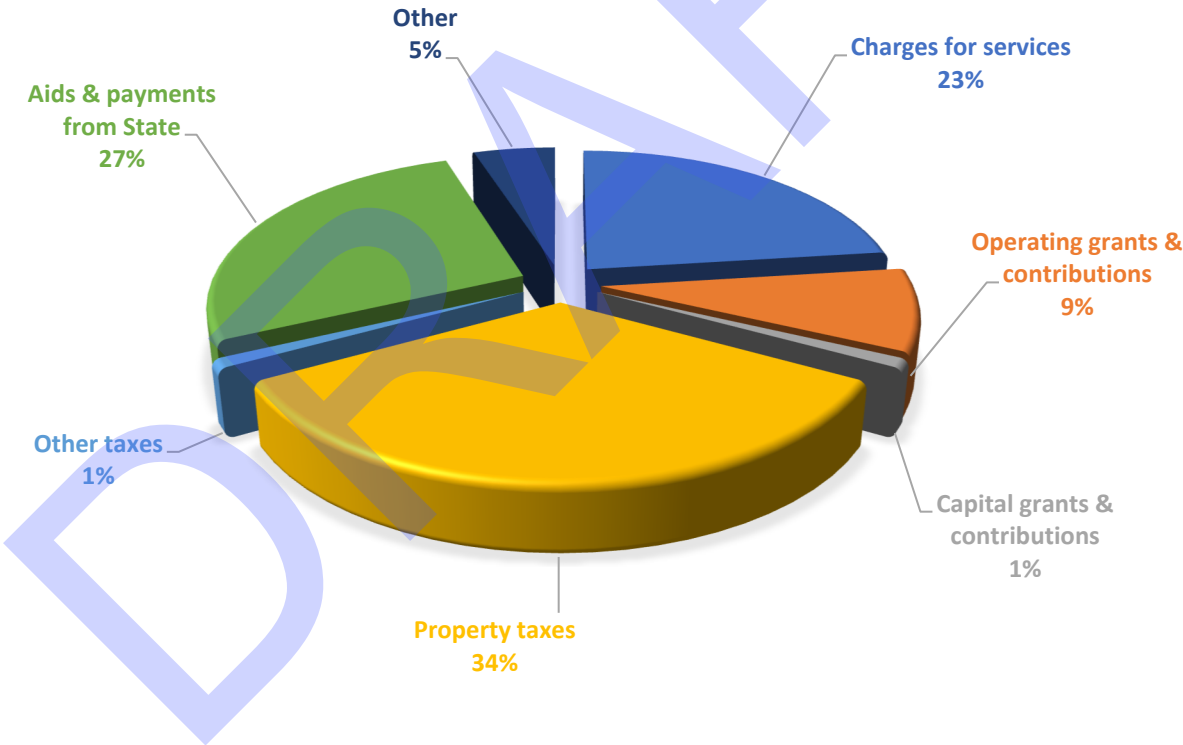
**Change in Net Position (Continued)**

*Governmental Activities*

The City-wide cost of all governmental activities this year was \$1,400,763.

- Some of the cost was paid by the users of the City's programs (\$373,157).
- Federal and state government payments (\$145,886) subsidized certain programs.
- Ad valorem property taxes (\$544,434) and unrestricted state grants (\$428,850) also helped fund the net costs of governmental services.

**Revenue by Source - Governmental Funds**



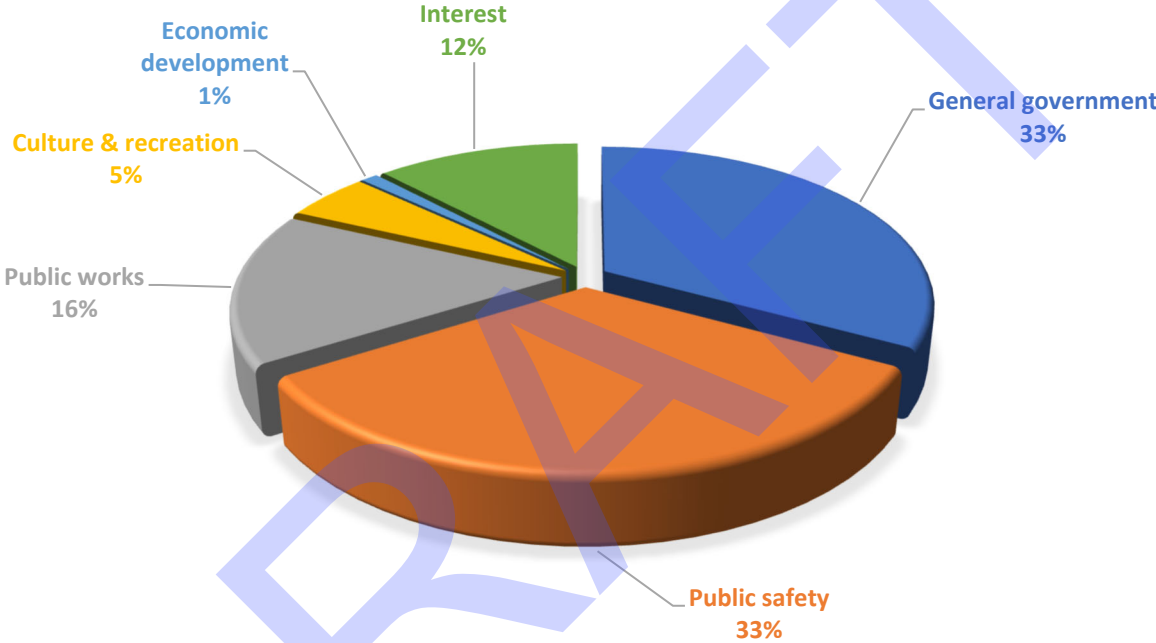
**CITY OF MENAHGA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2023**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Change in Net Position (Continued)**  
*Governmental Activities (Continued)*

**Expenses by Function - Governmental Activities**





**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

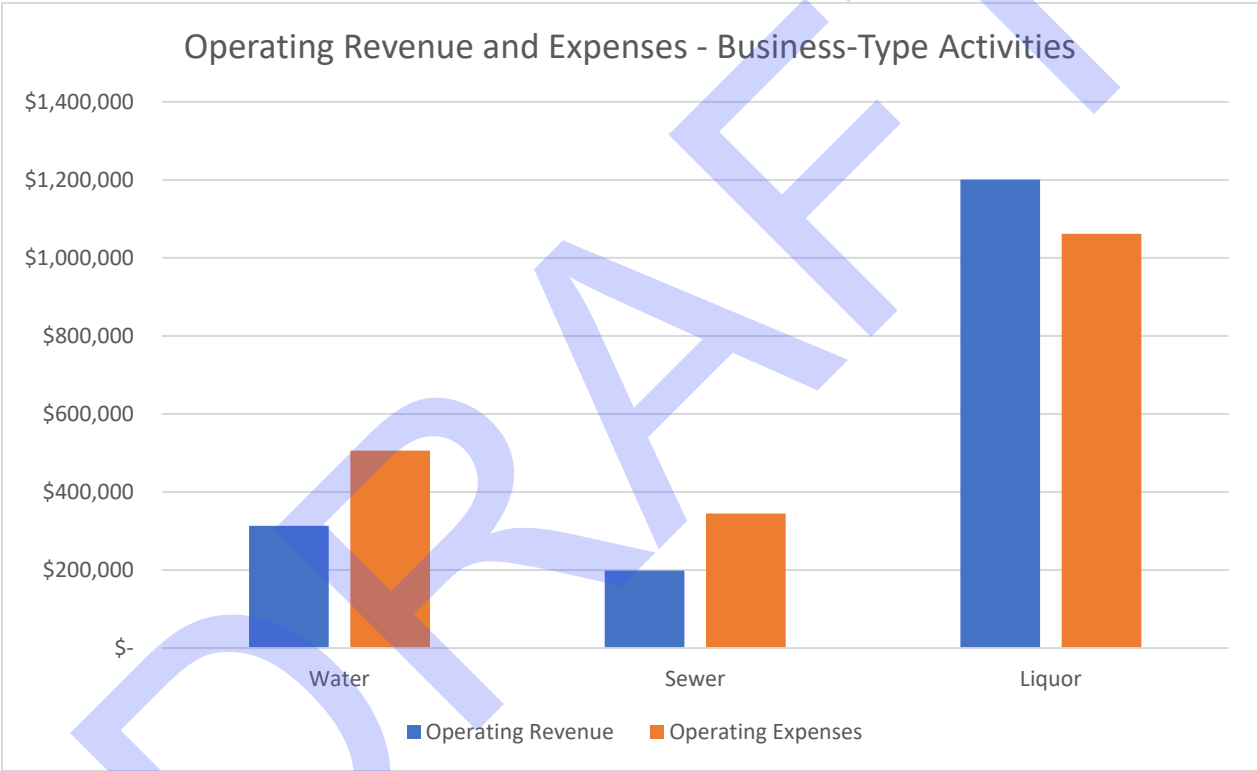
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Change in Net Position (Continued)**

*Business-Type Activities*

Business-type activities decreased the City's net position by \$203,529.

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures:



**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**  
**(FUND FINANCIAL STATEMENTS)**

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 financing requirements. In particular, unassigned fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$887,265.

Revenues for the City's governmental funds were \$1,847,412, while total expenditures were \$1,800,635. Net other financing sources (uses) totaled \$87,744.

The General Fund's fund balance increased by \$114,382 from the prior year.

The Debt Service Fund's fund balance decreased \$38,267 from the prior year.

The Capital Projects Fund's fund balance increased \$53,529.

**Proprietary Funds**

Net position decreased by \$150,584 in the water fund.

Net position decreased by \$134,113 in the sewer fund.

Net position increased by \$81,168 in the liquor fund.

**CITY OF MENA HGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**  
**(FUND FINANCIAL STATEMENTS) (Continued)**

**General Fund**

The General Fund includes the primary operations of the City in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of general fund revenues:

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Taxes	\$ 439,800	\$ 400,707	\$ 39,093	9.76%
Special assessments	776	-	776	100.00%
Payments in lieu of tax	25,000	25,000	-	100.00%
Licenses and permits	4,030	1,290	2,740	212.40%
Intergovernmental	488,754	477,012	11,742	2.46%
Charges for services	114,092	84,819	29,273	34.51%
Fines and forfeits	4,486	15,245	(10,759)	-70.57%
Net investment earnings	13,712	3,901	9,811	251.50%
Miscellaneous	40,823	17,046	23,777	139.49%
<b>TOTAL</b>	<b><u>\$ 1,131,473</u></b>	<b><u>\$ 1,025,020</u></b>	<b><u>\$ 106,453</u></b>	<b><u>10.39%</u></b>

Total General Fund revenue increased by \$106,453 or 10.39%, from the previous year.

The following schedule presents a summary of general fund expenditures:

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
General government	\$ 403,321	\$ 513,872	\$ (110,551)	-21.51%
Public safety	390,273	469,918	(79,645)	-16.95%
Public works	147,181	159,989	(12,808)	-8.01%
Culture and recreation	75,521	69,605	5,916	8.50%
Miscellaneous	52,804	48,681	4,123	8.47%
Capital outlay	6,874	13,340	(6,466)	-48.47%
<b>TOTAL</b>	<b><u>\$ 1,075,974</u></b>	<b><u>\$ 1,275,405</u></b>	<b><u>\$ (199,431)</u></b>	<b><u>-15.64%</u></b>

The General Fund's expenditures decreased by \$199,431 or 15.64% from the previous year.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was approved in December 2022 and was not updated during the year.

- Actual revenues were \$2,618 lower than expected.
- The actual expenditures were \$32,927 lower than budgeted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023 amounted to \$6,211,604, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$195,597, or 3.05%.

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

- New HVAC system at liquor store
- Continuation of water tower project
- Continuation of TH87 watermain replacement project

Additional information on the City's capital assets can be found in note 6 on pages 41 and 43 of this report.

**Long-Term Obligations**

At the end of the current fiscal year, the City had long-term debt outstanding of \$6,475,633 net of bond discounts.

- The City's governmental activities and business-type activities general obligation bonds decreased by \$505,000. This decrease was due to scheduled principal payments.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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

**Water Tower and Clear Well**

The water tower project, finalized in 2023, is now established with a debt service account for reimbursement.

**Infrastructure Project**

The city identifies various areas within its limits where the sanitary sewer and water distribution systems require replacement. These projects have been included in the State's Project Priority List (PPL). Despite the City's application to secure funding from the 2024 Clean Water Revolving Fund (CWRP), it was not granted for this fiscal year. The City's request was for \$1,380,400, the estimated cost of the sanitary system improvements. Similarly, the City also applied for funding from the 2024 Drinking Water Revolving Fund (DWRP), but has not been successful so far. The requested amount from DWRP for water main improvements is \$1,504,000. As the funding for these improvements has not been secured, the city remains on the list for both funding sources for 2025.

**Local Government Aid**

In 2023, the Local Government Aid (LGA) amounted to \$428,426. This figure increased to \$482,062 in 2024. Projections for 2025 indicate an estimated amount of \$506,165, reflecting a 5% increase over the previous year.

**Economic Development**

The housing market in Menahga maintains its stability, witnessing a rise in demand for both rental properties and homes for sale. Concurrently, economic development initiatives persist, fostering growth opportunities for the city. Menahga's civic organizations remain highly engaged in various community events, including the Midsummer Celebration, St. Urho Days, Sounds of Spirit Lake, Fishing Derby, and Christmas Tree Lighting festivities. Furthermore, the Planning and Zoning Commission collaborates with Sourcewell to appoint a zoning official, while also benefiting from training provided by Sourcewell and the Department of Natural Resources.

**City Council**

Recently, new personnel have been recruited to fill the roles of Deputy City Clerk Treasurer and City Clerk Treasurer. These individuals are actively engaged in seeking additional education and training to enhance their understanding of city operations, ensuring a seamless transition. Former staff members remain involved, providing guidance and supervision to the new hires until they attain a comprehensive understanding of the city's operations.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or would like additional information, contact the Administration, City of Menahga, 115 2<sup>nd</sup> Street NE, PO Box C, Menahga, Minnesota 56464.

**BASIC FINANCIAL STATEMENTS**

*Government-Wide Financial Statements*

DRAFT

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Greenwood Connections
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 857,817	\$ 1,586,480	\$ 2,444,297	\$ 1,628,025
Temporary investments	-	-	-	3,624,109
Cash and investments required to meet current obligations	-	-	-	12,089
Accounts receivable, net	812	81,655	82,467	1,044,049
Taxes receivable	17,264	-	17,264	-
Special assessments receivable	436,234	6,772	443,006	-
Due from other governmental units	10,423	-	10,423	-
Notes receivable from component unit	4,100,000	-	4,100,000	-
Employee retention credit receivable	-	-	-	745,827
Inventories	-	83,093	83,093	-
Prepaid expenses	47,273	17,681	64,954	128,741
<b>Total Current Assets</b>	<b>5,469,823</b>	<b>1,775,681</b>	<b>7,245,504</b>	<b>7,182,840</b>
Noncurrent assets				
Cash and investments - board designated	-	-	-	250,684
Net pension asset	50,152	-	50,152	-
Capital assets not being depreciated	79,013	1,378,823	1,457,836	87,340
Capital assets net of accumulated depreciation	1,627,610	3,126,158	4,753,768	6,601,801
Financing right-of-use asset	-	-	-	9,652
<b>Total Noncurrent Assets</b>	<b>1,756,775</b>	<b>4,504,981</b>	<b>6,261,756</b>	<b>6,949,477</b>
<b>Total Assets</b>	<b>7,226,598</b>	<b>6,280,662</b>	<b>13,507,260</b>	<b>14,132,317</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferments	476,000	34,993	510,993	832,208
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	12,992	5,597	18,589	160,585
Accrued expenses	-	8,170	8,170	133,355
Accrued payroll	11,582	7,579	19,161	12,164
Accrued interest payable	68,113	3,998	72,111	60,911
Customer deposits	4,487	-	4,487	-
Refundable advance	-	-	-	246,867
Compensated absences	5,129	6,910	12,039	352,163
Current portion of long-term debt	460,000	43,000	503,000	270,000
Current portion under finance leases	-	-	-	2,940
<b>Total Current Liabilities</b>	<b>562,303</b>	<b>75,254</b>	<b>637,557</b>	<b>1,238,985</b>
Long-Term Liabilities				
Compensated absences	9,449	13,821	23,270	-
Bonds and notes payable, net	5,225,633	747,000	5,972,633	3,870,825
Finance leases payable	-	-	-	6,948
Net pension liability	355,226	175,506	530,732	2,958,109
<b>Total Long-Term Liabilities</b>	<b>5,590,308</b>	<b>936,327</b>	<b>6,526,635</b>	<b>6,835,882</b>
<b>Total Liabilities</b>	<b>6,152,611</b>	<b>1,011,581</b>	<b>7,164,192</b>	<b>8,074,867</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferments	511,813	47,753	559,566	1,065,208
<b>NET POSITION</b>				
Net investment in capital assets	1,040,990	3,714,981	4,755,971	2,548,080
Restricted	621,075	-	621,075	336,251
Unrestricted	(623,891)	1,541,340	917,449	2,940,119
<b>TOTAL NET POSITION</b>	<b>\$ 1,038,174</b>	<b>\$ 5,256,321</b>	<b>\$ 6,294,495</b>	<b>\$ 5,824,450</b>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Greenwood Connections	
					Governmental Activities	Business-Type Activities		Total
Governmental Activities								
General government	\$ 466,531	\$ 14,895	\$ -	\$ -	\$ (451,636)	\$ -	\$ (451,636)	\$ -
Public safety	462,657	66,875	129,012	10,000	(256,770)	-	(256,770)	-
Public works	220,039	-	6,874	-	(213,165)	-	(213,165)	-
Culture and recreation	63,806	40,838	-	-	(22,968)	-	(22,968)	-
Housing and economic development	16,038	-	-	-	(16,038)	-	(16,038)	-
Interest and fiscal costs on long-term debt	171,692	250,549	-	-	78,857	-	78,857	-
Total Governmental Activities	1,400,763	373,157	135,886	10,000	(881,720)	-	(881,720)	-
Business-Type Activities								
Water	505,868	327,449	-	-	-	(178,419)	(178,419)	-
Sewer	344,836	198,401	-	-	-	(146,435)	(146,435)	-
Liquor	1,061,623	1,200,521	-	-	-	138,898	138,898	-
Total Business-Type Activities	1,912,327	1,726,371	-	-	-	(185,956)	(185,956)	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,313,090</b>	<b>\$ 2,099,528</b>	<b>\$ 135,886</b>	<b>\$ 10,000</b>	<b>(881,720)</b>	<b>(185,956)</b>	<b>(1,067,676)</b>	<b>-</b>
Component Unit								
Greenwood Connections	<b>\$ 8,934,186</b>	<b>\$ 9,608,987</b>	<b>\$ 51,210</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>726,011</b>
General revenues								
Property taxes					544,434	-	544,434	-
Franchise taxes					500	-	500	-
Tax increments					19,408	-	19,408	-
Payments in lieu of taxes					25,000	-	25,000	-
Unrestricted aids and grants from the state					428,850	-	428,850	-
Unrestricted net investment earnings					25,381	50,746	76,127	117,537
Miscellaneous					-	-	-	745,827
Employee retention credit contribution					-	-	-	745,827
Other					27,189	19,425	46,614	292,164
Transfers					87,744	(87,744)	-	-
Total General Revenues and Capital Contributions					1,158,506	(17,573)	1,140,933	1,155,528
<b>CHANGE IN NET POSITION</b>					<b>276,786</b>	<b>(203,529)</b>	<b>73,257</b>	<b>1,881,539</b>
<b>NET POSITION – BEGINNING, AS PREVIOUSLY STATED</b>					<b>766,388</b>	<b>5,449,120</b>	<b>6,215,508</b>	<b>3,942,911</b>
<b>PRIOR PERIOD ADJUSTMENT</b>					<b>(5,000)</b>	<b>10,730</b>	<b>5,730</b>	<b>-</b>
<b>NET POSITION – BEGINNING, AS RESTATED</b>					<b>761,388</b>	<b>5,459,850</b>	<b>6,221,238</b>	<b>3,942,911</b>
<b>NET POSITION – ENDING</b>					<b>\$ 1,038,174</b>	<b>\$ 5,256,321</b>	<b>\$ 6,294,495</b>	<b>\$ 5,824,450</b>

(The accompanying notes are an integral part of these financial statements.)



**DRAFT**

*Fund Financial Statements*

**CITY OF MENA HGA, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2023**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
<b>ASSETS</b>					
Cash and investments	\$ 310,764	\$ 204,945	\$ 202,071	\$ 208,447	\$ 926,227
Accounts receivable	812	-	-	-	812
Taxes receivable – delinquent	14,069	3,195	-	-	17,264
Special assessments receivable	-	436,234	-	-	436,234
Due from other governmental units	5,073	5,350	-	-	10,423
Notes receivable from component unit	-	4,100,000	-	-	4,100,000
Advance from other funds	-	-	62,974	-	62,974
Prepaid expenses	47,273	-	-	-	47,273
<b>TOTAL ASSETS</b>	<b>\$ 377,991</b>	<b>\$ 4,749,724</b>	<b>\$ 265,045</b>	<b>\$ 208,447</b>	<b>\$ 5,601,207</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Overdrawn cash and investments	\$ -	\$ 62,713	\$ -	\$ 5,697	\$ 68,410
Accounts payable	12,992	-	-	-	12,992
Accrued payroll	11,582	-	-	-	11,582
Customer deposits	4,487	-	-	-	4,487
Advance to other funds	62,974	-	-	-	62,974
Total Liabilities	92,035	62,713	-	5,697	160,445
Deferred Inflows of Resources					
Unavailable revenue - taxes	14,069	3,195	-	-	17,264
Unavailable revenue - special assessments	-	436,233	-	-	436,233
Unearned revenue - loans receivable	-	4,100,000	-	-	4,100,000
Total Deferred Inflows of Resources	14,069	4,539,428	-	-	4,553,497
Fund Balances					
Nonspendable	47,273	-	-	-	47,273
Restricted for					
Economic development revolving loans	-	-	-	186,484	186,484
Tax increment expenditures	-	-	-	21,963	21,963
Debt service	-	147,583	-	-	147,583
Capital projects	-	-	265,045	-	265,045
Unrestricted					
Unassigned	224,614	-	-	(5,697)	218,917
Total Fund Balances	271,887	147,583	265,045	202,750	887,265
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 377,991</b>	<b>\$ 4,749,724</b>	<b>\$ 265,045</b>	<b>\$ 208,447</b>	<b>\$ 5,601,207</b>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**December 31, 2023**

<b>TOTAL FUND BALANCES – GOVERNMENTAL FUNDS</b>		\$ 887,265
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Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:

General capital assets	\$ 4,189,598	
Accumulated depreciation	(2,482,975)	1,706,623

Other long-term assets (delinquent taxes, special assessments) are not available to pay for current-period expenditures; therefore, they are considered deferred outflows of resources in the governmental funds until the amounts are received. Deferred outflows of resources at year-end consists of:

Unavailable revenue - taxes	17,264	
Unavailable revenue - special assessments	436,233	
Unearned revenue - loans receivable	4,100,000	4,553,497

Some assets, including net pension assets, are not receivable in the current period; therefore, they are not reported in the governmental funds.	50,152
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Accrued severance pay is not due and payable with current financial resources; therefore, it is not reported as a liability in the governmental funds.	(14,578)
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Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is:	(68,113)
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Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and notes	(5,688,812)	
Unamortized bond premium and discounts	3,179	(5,685,633)

Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds.	(355,226)
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Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.

Deferred outflows of resources related to pensions	476,000	
Deferred inflows of resources related to pensions	(511,813)	(35,813)

<b>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 1,038,174</u></b>
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*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2023**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 439,300	\$ 101,974	\$ -	\$ -	\$ 541,274
Franchise taxes	500	-	-	-	500
Tax increments	-	-	-	19,408	19,408
Special assessments	776	111,820	-	-	112,596
Payments in lieu of taxes	25,000	-	-	-	25,000
Licenses and permits	4,030	-	-	-	4,030
Intergovernmental	488,754	-	59,033	-	547,787
Charges for services	114,092	-	-	-	114,092
Fines and forfeits	4,486	-	-	-	4,486
Net investment earnings	13,712	1,653	4,952	5,065	25,382
Contributions and donations	16,949	-	10,000	-	26,949
Other	23,874	398,719	1,449	1,866	425,908
Total Revenues	<u>1,131,473</u>	<u>614,166</u>	<u>75,434</u>	<u>26,339</u>	<u>1,847,412</u>
<b>EXPENDITURES</b>					
Current					
General government	403,321	-	-	-	403,321
Public safety	390,273	-	-	-	390,273
Public works	147,181	-	46,884	-	194,065
Culture and recreation	75,521	-	-	-	75,521
Housing and economic development	-	-	-	16,038	16,038
Other	22,637	-	5,021	3,168	30,826
Debt service					
Principal	25,000	490,000	-	-	515,000
Interest	5,167	163,550	-	-	168,717
Capital outlay	6,874	-	-	-	6,874
Total Expenditures	<u>1,075,974</u>	<u>653,550</u>	<u>51,905</u>	<u>19,206</u>	<u>1,800,635</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	55,499	(39,384)	23,529	7,133	46,777
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	90,000	1,117	30,000	-	121,117
Transfers out	(31,117)	-	-	(2,256)	(33,373)
Net Other Financing Sources (Uses)	<u>58,883</u>	<u>1,117</u>	<u>30,000</u>	<u>(2,256)</u>	<u>87,744</u>
<b>NET CHANGE IN FUND BALANCES</b>	114,382	(38,267)	53,529	4,877	134,521
<b>FUND BALANCES – BEGINNING</b>	<u>157,505</u>	<u>185,850</u>	<u>211,516</u>	<u>197,873</u>	<u>752,744</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 271,887</u>	<u>\$ 147,583</u>	<u>\$ 265,045</u>	<u>\$ 202,750</u>	<u>\$ 887,265</u>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF MENAHGA, MINNESOTA**  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2023**

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** \$ 134,521

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

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 6,874	
Depreciation	(129,044)	(122,170)

Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.

Accrued interest payable - December 31, 2023	(68,113)	
Accrued interest payable - December 31, 2022	65,543	(2,570)

Loans receivable are recognized as revenue when collected in the governmental funds, but the revenue was already recognized when assessed in the statement of activities. This adjustment is the difference in loans receivable between the prior year and the current year.

Notes receivable from component unit - December 31, 2023	4,100,000	
Notes receivable from component unit - December 31, 2022	(4,365,000)	(265,000)

Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.

Unavailable taxes - December 31, 2023	17,264	
Unavailable taxes - December 31, 2022	(12,180)	5,084

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unearned revenue in the current period.

Unavailable taxes - special assessments - December 31, 2023	436,233	
Unavailable taxes - special assessments - December 31, 2022	(433,923)	2,310

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	515,000	
Amortization of bond discount and premium	(406)	514,594

In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid during the year:

Compensated absences - December 31, 2023	(14,578)	
Compensated absences - December 31, 2022	19,790	5,212

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension asset - December 31, 2023	50,152	
Net pension asset - December 31, 2022	(201,872)	
Net pension liability - December 31, 2023	(355,226)	
Net pension liability - December 31, 2022	936,648	
Deferred outflows of resources - December 31, 2023	476,000	
Deferred outflows of resources - December 31, 2022	(530,240)	
Deferred inflows of resources - December 31, 2023	(511,813)	
Deferred inflows of resources - December 31, 2022	141,156	4,805

**CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ 276,786**

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2023**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Liquor</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 742,722	\$ 632,563	\$ 211,195	\$ 1,586,480
Accounts receivable	45,586	27,943	8,126	81,655
Special assessments receivable	4,143	2,629	-	6,772
Inventories	-	-	83,093	83,093
Prepaid expenses	3,622	5,808	8,251	17,681
Total Current Assets	<u>796,073</u>	<u>668,943</u>	<u>310,665</u>	<u>1,775,681</u>
Noncurrent Assets				
Capital assets not being depreciated	1,320,040	24,994	33,789	1,378,823
Capital assets being depreciated, net	1,512,838	1,525,025	88,295	3,126,158
Total Noncurrent Assets	<u>2,832,878</u>	<u>1,550,019</u>	<u>122,084</u>	<u>4,504,981</u>
Total Assets	<u>3,628,951</u>	<u>2,218,962</u>	<u>432,749</u>	<u>6,280,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferments	6,684	7,671	20,638	34,993
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	3,047	1,048	1,502	5,597
Accrued expenses	286	-	7,884	8,170
Accrued payroll	1,534	1,441	4,604	7,579
Accrued interest payable	3,998	-	-	3,998
Compensated absences	644	669	5,597	6,910
Current portion of long-term debt	43,000	-	-	43,000
Total Current Liabilities	<u>52,509</u>	<u>3,158</u>	<u>19,587</u>	<u>75,254</u>
Noncurrent Liabilities				
Compensated absences	1,288	1,339	11,194	13,821
Bonds and loans payable	747,000	-	-	747,000
Net pension liability	46,883	42,486	86,137	175,506
Total Noncurrent Liabilities	<u>795,171</u>	<u>43,825</u>	<u>97,331</u>	<u>936,327</u>
Total Liabilities	<u>847,680</u>	<u>46,983</u>	<u>116,918</u>	<u>1,011,581</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferments	10,554	11,368	25,831	47,753
<b>NET POSITION</b>				
Net investment in capital assets	2,042,878	1,550,019	122,084	3,714,981
Unrestricted	<u>734,523</u>	<u>618,263</u>	<u>188,554</u>	<u>1,541,340</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,777,401</u></u>	<u><u>\$ 2,168,282</u></u>	<u><u>\$ 310,638</u></u>	<u><u>\$ 5,256,321</u></u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2023**

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Liquor	Total
<b>SALES AND COST OF SALES</b>				
Sales	\$ -	\$ -	\$ 1,200,521	\$ 1,200,521
Cost of sales	-	-	(751,819)	(751,819)
Gross profit	-	-	448,702	448,702
<b>OPERATING REVENUES</b>				
Charges for services	327,449	198,401	-	525,850
<b>OPERATING EXPENSES</b>				
Salaries and wages	77,869	70,852	152,257	300,978
Payroll taxes	5,324	4,829	10,757	20,910
Pension expense	13,121	8,087	5,856	27,064
Employee benefits	17,294	17,215	24,351	58,860
Repairs and maintenance	58,863	33,002	3,942	95,807
Insurance	11,019	14,542	12,812	38,373
Utilities	20,202	6,903	22,384	49,489
Supplies	32,603	28,935	16,474	78,012
Office expense	4,157	2,597	3,728	10,482
Professional fees	14,903	27,578	37,180	79,661
Dues	-	-	1,610	1,610
Depreciation	238,272	120,377	8,606	367,255
Miscellaneous	2,260	9,919	9,847	22,026
Total Operating Expenses	<u>495,887</u>	<u>344,836</u>	<u>309,804</u>	<u>1,150,527</u>
<b>OPERATING INCOME (LOSS)</b>	(168,438)	(146,435)	138,898	(175,975)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Net investment earnings	26,577	21,077	3,092	50,746
Other income	14,002	1,245	4,178	19,425
Interest expense	(9,981)	-	-	(9,981)
Net Nonoperating Revenues (Expenses)	<u>30,598</u>	<u>22,322</u>	<u>7,270</u>	<u>60,190</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	(137,840)	(124,113)	146,168	(115,785)
<b>TRANSFERS</b>				
Transfers in	2,256	-	-	2,256
Transfers out	(15,000)	(10,000)	(65,000)	(90,000)
Transfers, Net	<u>(12,744)</u>	<u>(10,000)</u>	<u>(65,000)</u>	<u>(87,744)</u>
<b>CHANGE IN NET POSITION</b>	(150,584)	(134,113)	81,168	(203,529)
<b>TOTAL NET POSITION – BEGINNING, AS PREVIOUSLY STATED</b>	2,917,985	2,307,395	223,740	5,449,120
<b>PRIOR PERIOD ADJUSTMENT</b>	10,000	(5,000)	5,730	10,730
<b>TOTAL NET POSITION – BEGINNING, AS RESTATED</b>	<u>2,927,985</u>	<u>2,302,395</u>	<u>229,470</u>	<u>5,459,850</u>
<b>TOTAL NET POSITION – ENDING</b>	<u>\$ 2,777,401</u>	<u>\$ 2,168,282</u>	<u>\$ 310,638</u>	<u>\$ 5,256,321</u>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2023**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Liquor</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 321,453	\$ 196,694	\$ 1,195,690	\$ 1,713,837
Payments to suppliers	(141,766)	(115,535)	(851,263)	(1,108,564)
Payments to employees	(78,619)	(72,030)	(144,194)	(294,843)
Payments to other governmental units	(32,985)	(26,817)	(36,097)	(95,899)
Other receipts	14,002	1,245	4,178	19,425
Other payments	(2,260)	(9,919)	(9,847)	(22,026)
Net Cash Provided by Operating Activities	<u>79,825</u>	<u>(26,362)</u>	<u>158,467</u>	<u>211,930</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(15,000)	(10,000)	(65,000)	(90,000)
Transfers from other funds	2,256	-	-	2,256
Net Cash Provided by Noncapital Financing Activities	<u>(12,744)</u>	<u>(10,000)</u>	<u>(65,000)</u>	<u>(87,744)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(328,577)	-	(27,096)	(355,673)
Net proceeds from bond issues	228,420	-	-	228,420
Principal paid on capital debt	(25,500)	-	-	(25,500)
Interest paid on capital debt	(6,760)	-	-	(6,760)
Net Cash Used by Capital and Related Financing Activities	<u>(132,417)</u>	<u>-</u>	<u>(27,096)</u>	<u>(159,513)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	26,577	21,077	3,092	50,746
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<u>(38,759)</u>	<u>(15,285)</u>	<u>69,463</u>	<u>15,419</u>
<b>CASH AND INVESTMENTS – BEGINNING</b>	<u>781,481</u>	<u>647,848</u>	<u>141,732</u>	<u>1,571,061</u>
<b>CASH AND INVESTMENTS – ENDING</b>	<u><b>\$ 742,722</b></u>	<u><b>\$ 632,563</b></u>	<u><b>\$ 211,195</b></u>	<u><b>\$ 1,586,480</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (168,438)	\$ (146,435)	\$ 138,898	\$ (175,975)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	238,272	120,377	8,606	367,255
Prior period adjustment	-	-	5,730	5,730
Other income related to operations	14,002	1,245	4,178	19,425
Net operating changes in				
Accounts receivable	(7,644)	(2,622)	(4,831)	(15,097)
Special assessments receivable	1,648	915	-	2,563
Inventory	-	-	371	371
Deferred outflows of resources	9,519	9,106	9,496	28,121
Accounts payable	(19)	(1,978)	(1,685)	(3,682)
Accrued expenses	(5,100)	-	2,959	(2,141)
Compensated absences	(750)	(1,178)	8,063	6,135
Net pension liability	(6,423)	(9,930)	(34,597)	(50,950)
Deferred inflows of resources	4,758	4,138	21,279	30,175
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 79,825</b></u>	<u><b>\$ (26,362)</b></u>	<u><b>\$ 158,467</b></u>	<u><b>\$ 211,930</b></u>

*(The accompanying notes are an integral part of these financial statements.)*



**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2023**

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 22,785</u>
<b>LIABILITIES</b>	
Cash held for other agencies	<u>\$ 22,785</u>

*(The accompanying notes are an integral part of these financial statements.)*

DRAFT

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended December 31, 2023**

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Contributions collected for other agencies	\$ 19,540
<b>DEDUCTIONS</b>	
Contributions distributed for other agencies	13,601
<b>CHANGE IN NET POSITION</b>	5,939
<b>NET POSITION - BEGINNING</b>	16,846
<b>NET POSITION - ENDING</b>	<b>\$ 22,785</b>

*(The accompanying notes are an integral part of these financial statements.)*

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**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Menahga was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the voters of the City.

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

The following represents the significant accounting policies used by the City:

**Reporting Entity**

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has one discretely presented component unit:

*Greenwood Connections* – is accounted for as a discretely presented component unit because of the significance of the operational or financial relationship with the City. All amounts reflecting financial position and results of operations related to Greenwood Connections in these financial statements is as of and for the year end December 31, 2023. A Board of Directors that is appointed by the City Council of the City of Menahga, Minnesota, governs Greenwood Connections. The Board is responsible for the administration, maintenance, and operations of Greenwood Connections subject to the authority of the City Council as provided in Minnesota Statutes 447.41.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

Greenwood Connections consists of the following:

Green Pine Acres Nursing Home (the Home) – is a 65-bed licensed skilled nursing facility.

Woodside Manor (the Apartments) – a 37-unit assisted living and congregate care apartment project attached to the Home.

Menahga Home Health – a Class F licensed home care agency that provides services to residents of the Apartments and the community.

Green Pine Acres Adult Day Care – operates a day service for the care of adults 18 years of age and older.

Complete financial statements of Greenwood Connections are prepared and are on file with the City.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements distinguish between the governmental and business-type activities of the City. Fiduciary activities of the City are not included in these statements.

The statement of net position and the statement of activities report information on all activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services. The financial data of the City's component units is discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

The fund financial statements provide information about the City's governmental and proprietary funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as other nonmajor funds.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following types of funds:

**Governmental Funds**

**General** – used to account for the City's primary operating activities. It is used to account for all financial resources and transactions, except those required to be accounted for in another fund. The general fund is a major fund.

**Special Revenue Funds** – used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specific purposes. The City has no major special revenue funds.

**Debt Service Fund** – used to account for the accumulation of, resources for, and the payment of, long-term debt principal, interest, and related costs. The debt service fund is a major fund.

**Capital Projects Fund** – used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment. The capital projects fund is a major fund.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

Proprietary Funds

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. The City's major enterprise funds and their purposes are as follows:

Water – accounts for the provision of water services to the City's residents.

Sewer – accounts for the provision of sewer services to the City's residents.

Liquor – accounts for the operation of the Menahga Liquor Store.

Fiduciary Funds

Agency Funds – used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities).

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. Under the accrual basis of accounting, revenue from property taxes is recognized in the year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

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 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 enterprise funds include but 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. The City considers revenue to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. All taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Use of Estimates**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Temporary Investments (Including Cash Equivalents)**

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "cash and cash equivalents." For reporting purposes, petty cash and change funds are also considered cash and cash equivalents. For the purposes of the proprietary fund-type statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are valued at cost plus reinvested dividends, and other investments are stated at fair value.

**Receivables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax levies are set by the City Council in December of each year and are certified to Wadena County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. The county spreads the levy over assessable property. Property taxes become a lien on January 1. Property tax payments are due in two equal installments, on May 15 and October 15. Taxes become delinquent if not paid by the due date. The County is required to distribute collections to the City three times each year.

Property taxes receivable which have been collected and received by the City within 60 days subsequent to year end are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period. Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

Receivables for federal and state grants, and state, county, and local shared revenue, are recorded as revenue in all fund types as earned.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. Assessment lien installments which are expected to be collected in the following year in accordance with the modified accrual basis of accounting are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by unearned revenues and, accordingly, have not been recorded as revenue. Assessments are payable over a term of years at an interest rate established by the City Council.



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Receivables** (Continued)

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed.

**Inventories**

Inventories in the proprietary fund types are stated at cost, using a first-in, first-out (FIFO) method. Expenses are recognized as the inventories are used (consumption method).

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Purchased or constructed capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial cost of more than \$2,500 for equipment and vehicles, \$25,000 for buildings and improvements, and \$100,000 for infrastructure and an estimated useful life of one year or more. Capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the time of donation. Intangible assets with an indefinite useful life are included in nondepreciable assets.

In governmental fund financial statements, capital assets purchased are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide and proprietary fund financial statements, disposal of capital assets is recorded by relieving the governmental or business-type activities of the related costs and accumulated depreciation, with the resulting gains or losses being reflected in the statement of activities. In the governmental fund financial statements, the proceeds from sales of governmental fund capital assets are recorded as revenues in the appropriate fund.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only as a result of employee resignations or retirements. The liability for compensated absences is typically liquidated in the fund that incurred the expenditure at the time of the occurrence (i.e. vacation being taken or upon retirement).

**Long-Term Obligations**

In the government-wide and proprietary 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 deferred 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. Issuance costs are expensed when incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. This item is related to defined benefit pension plans described below.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type which arises only under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources, property taxes, special assessments, and loans receivable earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Deferred Outflows/Inflows of Resources** (Continued)

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows/inflows of resources are also recognized for certain differences between actual experience in pension demographic and economic factors compared to assumptions used in the actuarial analyses.

**Net Position and Fund Balance**

On the statement of net position for government-wide reporting and for the proprietary funds', net position is segregated into three categories:

1. Net investment in capital assets – represents total capital assets less accumulated depreciation and capital related debt net of unspent bond proceeds. Deferred outflows of resources and deferred inflows of resources directly related debt is also included in this section.
2. Restricted – represents net position that is not subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulation of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset. Unspent bond proceeds for capital projects are included in this section.
3. Unrestricted – consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the governmental funds financial statements, fund balance is segregated into the following categories:

1. Nonspendable – represents fund balance amounts that cannot be spent because they are either in a nonspendable form or because legal or contractual requirements mandate funds be maintained intact.
2. Restricted – represents fund balance amounts with constraints placed on their use by either a) external groups such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position and Fund Balance** (Continued)

3. Unrestricted

- a. Committed – represents 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 commitments by resolution.
- b. Assigned – amounts assessed 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 authority.
- c. Unassigned – represents the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

**Pensions**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Equity**

The Safe Routes to School and Tax Increment Finance District 1-6 funds had deficit fund balances of \$3,292 and \$2,405, respectively, as of December 31, 2023.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

**Budgetary Information**

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. Budget vs. actual information and related notes can be found in the required supplementary information following this report.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Minnesota Statutes* authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

**Deposits**

The City maintains a cash and investment pool that is available for use by all funds. As of December 31, 2023, the City's cash and investment balances are reported as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Cash and investments		
Pooled cash in checking	\$ 268,454	\$ 175,993
Departmental checking accounts	-	10,000
Departmental savings and money market	52,104	-
Cash on hand	400	9,915
Investments - 4M	536,859	1,390,572
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 857,817</b>	<b>\$ 1,586,480</b>

Custodial Credit Risk – deposits – the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains its deposits in accordance with Minn. Stat. § 118A.03. Under that statute, all deposits must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized with eligible securities in an amount equal to 110% of the deposits not covered by FDIC or corporate surety bonds. As of December 31, 2023, the City's deposits with various financial institutions had a bank balance of \$1,730,645. Of these deposits, \$1,475,190 was covered by FDIC insurance and \$255,455 was collateralized in accordance with Minn. Stat. § 118A.03.

**Investments**

Investment of City funds is restricted by *Minnesota Statutes*. Authorized investments include obligations of the U.S. Treasury and U.S. Agencies, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporate or P-1 by Moody's Commercial Paper Record.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments listed below are all valued using quoted market prices (Level 1).

The City’s investments in 4M Fund were categorized as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Primary Government				
4M fund	\$ 381,485	\$ 381,485	\$ -	\$ -
Certificates of deposit	1,545,946	-	1,545,946	-
<b>TOTAL</b>	<b><u>\$ 1,927,431</u></b>	<b><u>\$ 381,485</u></b>	<b><u>\$ 1,545,946</u></b>	<b><u>\$ -</u></b>

The Minnesota Municipal Money Market Fund (4M Fund) operates in accordance with appropriate State laws and regulations. The 4M fund is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under Rule 2a-7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Advances**

Interfund advances for the year ended December 31, 2023, were as follows:

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 62,974

The purpose of the advance from the Capital Projects Fund was to finance the construction in progress for the restroom project at the park. The advance has a repayment schedule set up with payments at 2.30% interest and maturing in February of 2028.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**Fund Transfers**

For the year ended December 31, 2023, transfers between funds were as follows:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
General	Debt Service	\$ 1,117
General	Capital Project	15,000
General	Capital Project	15,000
American Rescue Plan	Water	2,256
Water	General	15,000
Sewer	General	10,000
Liquor	General	65,000

The transfer from the General Fund to the Debt Service Fund was to close out the 2012A fire truck debt. The transfers from the General Fund to the Capital Projects Fund was to assist with sealcoating costs and cost for new squad car. The transfer from the American Rescue Plan Fund to the Water Fund was to use grant funds to assist in water tower project costs. The transfers from the Water, Sewer, and Liquor Funds to the General Fund was to aid in operations.

**NOTE 5 – NOTE RECEIVABLE**

The City issued debt for Greenwood Connections. A note receivable from the component unit has been recorded in the financial statements of the City, with a balance of \$4,100,000 as of December 31, 2023. The terms of the repayment of this note by the component unit corresponds to the City's repayment of the related debt described in Note 11.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 6 – CAPITAL ASSETS**

Activity in capital assets for the City was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2023</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 79,013	\$ -	\$ -	\$ 79,013
Capital assets being depreciated				
Land improvements	4,000	-	-	4,000
Buildings	551,385	-	-	551,385
Equipment	1,792,593	6,874	-	1,799,467
Infrastructure	1,755,733	-	-	1,755,733
	<u>4,103,711</u>	<u>6,874</u>	<u>-</u>	<u>4,110,585</u>
Accumulated depreciation for				
Land improvements	(133)	(267)	-	(400)
Buildings	(326,469)	(13,029)	-	(339,498)
Equipment	(1,374,660)	(69,765)	-	(1,444,425)
Infrastructure	(652,669)	(45,983)	-	(698,652)
	<u>(2,353,931)</u>	<u>(129,044)</u>	<u>-</u>	<u>(2,482,975)</u>
Total capital assets being depreciated, net	<u>1,749,780</u>	<u>(122,170)</u>	<u>-</u>	<u>1,627,610</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b><u>\$ 1,828,793</u></b>	<b><u>\$ (122,170)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,706,623</u></b>



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 6 – CAPITAL ASSETS (Continued)**

	<u>Balance 2022</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2023</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 81,854	\$ -	\$ -	\$ 81,854
Construction in progress	1,048,963	248,006	-	1,296,969
	<u>1,130,817</u>	<u>248,006</u>	<u>-</u>	<u>1,378,823</u>
Capital assets being depreciated				
Land improvements	12,846	-	-	12,846
Buildings	384,585	-	-	384,585
Equipment	325,046	50,823	-	375,869
Infrastructure	9,228,863	-	-	9,228,863
	<u>9,951,340</u>	<u>50,823</u>	<u>-</u>	<u>10,002,163</u>
Accumulated depreciation for				
Land improvements	(12,846)	-	-	(12,846)
Buildings	(314,780)	(7,280)	-	(322,060)
Equipment	(280,089)	(12,027)	-	(292,116)
Infrastructure	(5,901,035)	(347,948)	-	(6,248,983)
	<u>(6,508,750)</u>	<u>(367,255)</u>	<u>-</u>	<u>(6,876,005)</u>
Total capital assets being depreciated, net	<u>3,442,590</u>	<u>(316,432)</u>	<u>-</u>	<u>3,126,158</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u><u>\$ 4,573,407</u></u>	<u><u>\$ (68,426)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,504,981</u></u>

The construction in progress balance as of December 31, 2023 relates to water tower improvements and watermain replacement projects.

**CITY OF MENAUGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 6 – CAPITAL ASSETS** (Continued)

Depreciation expense was charged to the following functions or programs as follows:

<b>Governmental Activities</b>		
General government	\$	24,917
Public safety		64,005
Public works		31,684
Culture and recreation		<u>8,438</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>129,044</u></b>
<b>Business-Type Activities</b>		
Water	\$	238,272
Sewer		120,377
Liquor		<u>8,606</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>367,255</u></b>

**NOTE 7 – LONG-TERM OBLIGATIONS**

The City's long-term obligations activity was as follows:

	<u>Balance 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2023</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligations					
Bonds	\$ 6,045,000	\$ -	\$ 490,000	\$ 5,555,000	\$ 435,000
Less: bond discounts	<u>(2,773)</u>	-	<u>(406)</u>	<u>(2,367)</u>	-
Net general obligations	6,042,227	-	489,594	5,552,633	435,000
Direct borrowings and placements					
Fire tanker financing	158,000	-	25,000	133,000	25,000
Other Liabilities					
Compensated absences	19,790	-	5,212	14,578	5,129
Net pension liability	<u>936,648</u>	-	<u>581,422</u>	<u>355,226</u>	-
Total Other Liabilities	<u>956,438</u>	-	<u>586,634</u>	<u>369,804</u>	<u>5,129</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 7,156,665</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,101,228</u></b>	<b><u>\$ 6,055,437</u></b>	<b><u>\$ 465,129</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

	<u>Balance 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2023</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
General obligations					
Bonds	\$ 201,000	\$ -	\$ 15,000	\$ 186,000	\$ 15,000
PFA notes	386,080	228,420	10,500	604,000	28,000
Total general obligations	<u>587,080</u>	<u>228,420</u>	<u>25,500</u>	<u>790,000</u>	<u>43,000</u>
Other Liabilities					
Compensated absences	14,956	6,910	1,135	20,731	6,910
Net pension liability	226,456	-	50,950	175,506	-
Total Other Liabilities	<u>241,412</u>	<u>6,910</u>	<u>52,085</u>	<u>196,237</u>	<u>6,910</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 828,492</u></b>	<b><u>\$ 235,330</u></b>	<b><u>\$ 77,585</u></b>	<b><u>\$ 986,237</u></b>	<b><u>\$ 49,910</u></b>

Details of the bonds and notes payable are as follows:

	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance 2023</u>
<b>Governmental Activities</b>				
General Obligation Debt				
2012A (refunding portion of 2000 bonds)	815,000	2027	2 - 3%	\$ 185,000
2013B improvement	270,000	2029	3 - 4%	125,000
2015B improvement refunding	830,000	2030	0.85 - 3%	410,000
2017A nursing home revenue	4,875,000	2038	3 - 3.5%	3,915,000
2020A improvement refunding	1,215,000	2029	1.00%	920,000
Direct Borrowings and Placements				
Fire tanker truck finance	181,000	2028	2.50%	<u>133,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				<b><u>\$5,688,000</u></b>
<b>Business-Type Activities</b>				
General Obligation Revenue Debt				
2015 PFA drinking water note	297,371	2035	1.00%	\$ 186,000
2022 PFA drinking water note	614,500	2042	1.524%	<u>604,000</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				<b><u>\$ 790,000</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

Debt service requirements to maturity are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Years Ending December 31				
2024	460,000	149,962	43,000	11,064
2025	526,000	141,204	43,000	10,488
2026	542,000	128,102	44,000	9,912
2027	557,000	114,797	44,000	9,320
2028	498,000	102,306	44,000	8,728
2029 - 2033	1,600,000	358,549	233,000	34,500
2034 - 2038	1,505,000	131,100	198,000	18,890
2039 - 2042	-	-	141,000	5,380
<b>TOTAL</b>	<b><u>\$ 5,688,000</u></b>	<b><u>\$ 1,126,020</u></b>	<b><u>\$ 790,000</u></b>	<b><u>\$ 108,282</u></b>

**NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets for the governmental and business-type activities as presented in the statement of net position as of December 31, 2023 is determined as follows:

Land	\$ 79,013
Other capital assets, net of accumulated depreciation	1,627,610
Long-term debt outstanding	<u>(665,633)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,040,990</u></b>
Land	\$ 81,854
Construction in progress	1,296,969
Other capital assets, net of accumulated depreciation	3,126,158
Long-term debt outstanding	<u>(790,000)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS - BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 3,714,981</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**Plan Description**

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

1. General Employees Retirement Plan

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.

2. Public Employees Police and Fire Plan

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 a local relief association that elected to merge with and transfer assets and administration to PERA.

**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.

1. General Employees Plan Benefits

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Benefits Provided** (Continued)

1. General Employees Plan Benefits (Continued)

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

2. Police and Fire Plan 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% after five years up to 100% 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% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% 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.

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.

**Contributions**

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

1. General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$34,823. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Contributions** (Continued)

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2023 were \$27,678. The City’s contributions were equal to the required contributions as set by state statute.

**Pension Costs**

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$313,146 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$8,551.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0056% at the end of the measurement period and 0.0054% for the beginning of the period.

City’s proportionate share of the net pension liability	\$ 313,146
State of Minnesota’s proportionate share of the net pension liability associated with the City	8,551
<b>TOTAL</b>	<b>\$ 321,697</b>

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$12,208 for its proportionate share of General Employees Plan’s pension expense. In addition, the City recognized an additional \$38 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 MENAUGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 7,646	\$ 2,201
Changes in actuarial assumptions	42,528	64,362
Net collective difference between projected and actual investment earnings	-	20,887
Changes in proportion	8,910	18,907
Contributions paid to PERA subsequent to the measurement date	17,592	-
<b>TOTAL</b>	<b>\$ 76,676</b>	<b>\$ 106,357</b>

\$17,592 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	<b>Pension Expense Amount</b>
2024	(3,374)
2025	(47,447)
2026	8,972
2027	(5,424)
<b>TOTAL</b>	<b>\$ (47,273)</b>



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$217,586 for its proportionate share of Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0126% at the end of the measurement period and 0.0169% for the beginning of the period.

The State of Minnesota also contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. 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, 2022. 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% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$8,759.

City’s proportionate share of the net pension liability	\$ 217,586
State of Minnesota’s proportionate share of the net pension liability associated with the City	8,759
	8,759
<b>TOTAL</b>	<b>\$ 226,345</b>

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 December 31, 2023, the City recognized pension expense of \$36,890 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$5,704 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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 also recognized \$1,521 for the year ended December 31, 2023 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.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 57,263	\$ -
Changes in actuarial assumptions	281,080	256,552
Net collective difference between projected and actual investment earnings	4,169	-
Changes in proportion	1,954	135,719
Contributions paid to PERA subsequent to the measurement date	13,839	-
<b>TOTAL</b>	<b>\$ 358,305</b>	<b>\$ 392,271</b>

\$13,839 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year Ended December 31:	
2024	(3,470)
2025	2,389
2026	48,960
2027	(24,708)
2028	(70,976)
<b>TOTAL</b>	<b>\$ (47,805)</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Long-Term Expected Return on Investment**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
<b>TOTAL</b>	<b><u><u>100.00%</u></u></b>	

**Actuarial Methods and Assumptions**

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

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3% after 24 years of service.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Methods and Assumptions** (Continued)

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 is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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

The following changes in actuarial assumptions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.00%.
- The single discount rate changed from 5.4% to 7%.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

Police and Fire Fund (Continued)

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire 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.

**Pension Liability Sensitivity**

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

<b>Sensitivity Analysis</b>				
<b>Net Pension Liability (Asset) at Different Discount Rates</b>				
	<b>General Employees Fund</b>		<b>Police and Fire Fund</b>	
1% lower	6.00%	\$ 553,980	6.00%	\$ 431,716
Current discount rate	7.00%	313,146	7.00%	217,586
1% higher	8.00%	115,050	8.00%	41,542

**Pension Plan Fiduciary Net Position**

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Menahga are members of the Menahga Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to *Minnesota Statutes*, Chapter 69, Chapter 4224A, and the Association's by-laws. As of December 31, 2023, membership includes 22 active participants and 5 deferred participants entitled to benefits but not yet receiving them.

**Benefits Provided**

Authority for payment of pension benefits is established in *Minnesota Statutes* 69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the fire department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,000 for each year of active fire department service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* 424A.02, Subds. 2 and 4, members who retire with ten years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* 424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$1,600 for each year the member was an active member of the Menahga Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

*Minnesota Statutes* 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Contributions**

*Minnesota Statutes* chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

The minimum contribution from the City and State aid is determined as follows:

	Normal Cost
+	Amortization payment on unfunded accrued liability prior to change
+	Amortization contribution on unfunded accrued liability attributed to any change
+	Administrative expenses
-	Anticipated state aid
-	Projected investment earnings
=	<b>TOTAL CONTRIBUTION REQUIRED</b>

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The Plan is funded in part by fire State aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$18,256 in fire State aid paid by the City to the Relief Association for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the Plan for the year ended December 31, 2023 was \$0. In addition, the City made voluntary contributions of \$3,000 to the plan.

**Pension Costs**

At December 31, 2023, the City reported an asset of \$50,152, for the Association's net pension asset. The net pension asset was measured as of December 31, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Pension Costs** (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of (\$30,590) for the year ended December 31, 2023. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 53,444
Changes in actuarial assumptions	805	7,494
Difference between projected and actual investment earnings	51,447	-
Changes in proportion	-	-
City contributions subsequent to the measurement date	23,760	-
<b>TOTAL</b>	<b>\$ 76,012</b>	<b>\$ 60,938</b>

The City contributions to the Association subsequent to the measurement date of \$23,760 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the Association’s pension will be recognized in pension expense as follows:

Year Ended December 31:	<b>Pension Expense Amount</b>
2024	(6,319)
2025	2,094
2026	10,143
2027	14,233
2028	(7,815)
Thereafter	(21,022)
<b>TOTAL</b>	<b>\$ (8,686)</b>

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2023
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Actuarial Assumptions** (Continued)

Discount rate	4.25%
Investment rate of return	4.25%
20-year municipal bond yield	3.50%
Age of service retirement	50

The best-estimate 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 market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s asset allocation as of December 31, 2023 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	12.00%	2.00%
Fixed income	54.00%	3.90%
Equities	34.00%	7.80%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.00%</b>

**Discount Rate**

The discount rate used to measure the total pension liability was 5%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Pension Asset Sensitivity**

The following presents the City’s net pension asset of the Association, calculated using the discount rate of 5%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4%) or one percentage point higher (6%) than the current rate:

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	\$ (37,014)	\$ (50,152)	\$ (62,639)
Discount rate	4.00%	5.00%	6.00%

**Plan’s Fiduciary Net Position**

Information about the Plan’s fiduciary net position is as follows:

	<u>2023</u>
<b>ASSETS</b>	
State Board of Investments	\$ 512,427
<b>TOTAL ASSETS</b>	<u>\$ 512,427</u>
<b>NET POSITION - UNRESTRICTED</b>	<u>\$ 512,427</u>
<b>REVENUES</b>	
Fire state aid	\$ 18,256
Municipal contribution	3,000
Investment earnings	(85,336)
Total Revenues	<u>(64,080)</u>
<b>EXPENSES</b>	
Pension distributions	<u>-</u>
<b>CHANGE IN NET POSTION</b>	(64,080)
<b>BEGINNING NET POSITION</b>	<u>576,507</u>
<b>ENDING NET POSITION</b>	<u>\$ 512,427</u>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Plan’s Fiduciary Net Position** (Continued)

Information about the changes in the Plan’s net pension asset is as follows:

	<b>Measurement Date January 31, 2023</b>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 16,463
Interest	16,622
Assumption changes	(8,176)
Plan changes	84,450
Gain or loss	(21,719)
Net Change in Total Pension Liability	87,640
Total pension liability - beginning	374,635
Total pension liability - ending (a)	462,275
<b>PLAN FIDUCIARY NET POSITION</b>	
Municipal contributions	3,000
State contributions	18,256
Net investment income	24,953
Gain or loss	(110,289)
Net Change in Fiduciary Net Position	(64,080)
Fiduciary net position - beginning	576,507
Fiduciary net position - ending (b)	512,427
<b>ASSOCIATION’S NET PENSION ASSET - ENDING (a) - (b)</b>	<b>\$ (50,152)</b>

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued financial report. That report may be obtained by calling Menahga City Hall at (218)-564-4557.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT**

**Greenwood Connections**

**Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies followed by Greenwood Connections (the Organization).

**Basis of Accounting**

Greenwood Connections utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

**Cash and Cash Equivalents**

The Organization considers all money market accounts and certificates of deposit with maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value. The Organization deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the FDIC insurance limit.

**Temporary Investments**

Temporary investments include certificates of deposit with an original maturity of 3 to 12 months, excluding designated cash and investments. Temporary investments are recorded at fair value.

**Accounts Receivable-Residents**

Accounts receivable are stated at net realizable value. Accordingly, the Organization provides an allowance for uncollectible accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services rendered is due within 10 days of receipt of the invoice or claim submitted. Accounts outstanding more than 90 days are reviewed for collectability by management, and are written off only after all efforts to collect have been made. In addition, an allowance is estimated for other accounts based on the historical experience of the Organization. At December 31, 2023, the allowance for uncollectible accounts was \$10,000.

**Noncurrent Cash and Investments**

Noncurrent cash and investments include assets restricted by the board of directors, funds designated by donor, funds maintained on behalf of residents, and funds restricted under loan agreements. Noncurrent cash and investments that are required for obligations classified as current liabilities are reported as current assets.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Capital Assets**

Capital assets are reported at cost, if purchased, or at fair market value on the date received, if donated. Major additions and betterments are charged to the capital assets accounts while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is provided on a straight-line basis over the estimated useful lives of the property, which range from 5 to 40 years.

**Tenant Security Deposits**

The Apartments hold in trust security deposits advanced by their tenants. The Organization records these deposits plus an amount sufficient to fund a minimum of 1% simple interest as a liability, accrued from the date of the deposit.

**Net Position**

Net position of the Organization is classified in three components as follows:

Net Investment in Capital Assets – consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted Net Position – must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Facility.

Unrestricted Net Position – the remaining net position that does not meet the definition of *Net Investment in Capital Assets* or *Restricted Net Position*.

**Net Resident Services Revenue**

Net resident service revenues include room charges and ancillary services to residents and are recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payors.

Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Difference between the estimated amounts accrued and subsequent settlements are recorded in revenues in the year of settlement.

**Third-Party Reimbursement Agreements**

Medicaid

The Organization participates in the Medicaid program which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUGs) for purposes of establishing payment rates.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Third-Party Reimbursement Agreements** (Continued)

Medicaid (Continued)

Medicaid payment rates primarily consist of operating rates, a property related rate, and certain pass-through costs. Annual operating rate increases are applied if funding is appropriated by the Minnesota Legislature.

By Minnesota Statutes, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Organization is paid under the Patient Driven Payment Model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that the nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

**Contributions**

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indicators of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time period ends or purpose is accomplished, restricted funds are reclassified. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

**Deposits**

In accordance with *Minnesota Statutes*, the Organization maintains deposits at the depository bank which is authorized by the City Council and is a member of the Federal Reserve System.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Deposits** (Continued)

Minnesota Statutes require that all of the Organization’s deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes legal investments as well as certain first year mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Organizations deposits at December 31, 2023 were entirely covered by federal depository insurance or collateral held by the Organization’s custodial bank in the Organization’s name.

**Capital Assets**

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

	<u>Balance 12-31-22</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 12-31-23</u>
<b>Greenwood Connections</b>				
Capital assets not being depreciated				
Land	\$ 87,340	\$ -	\$ -	\$ 87,340
Capital assets being depreciated				
Land improvements	66,205	-	-	66,205
Buildings and improvements	11,260,966	132,005	-	11,392,971
Equipment and furninshings	1,486,858	28,403	-	1,515,261
	<u>12,814,029</u>	<u>160,408</u>	<u>-</u>	<u>12,974,437</u>
Accumulated depreciation	<u>(5,922,210)</u>	<u>(456,437)</u>	<u>6,011</u>	<u>(6,372,636)</u>
Total capital assets being depreciated, net	<u>6,891,819</u>	<u>(296,029)</u>	<u>6,011</u>	<u>6,601,801</u>
<b>COMPONENT UNIT CAPITAL ASSETS, NET</b>	<b><u><u>\$ 6,979,159</u></u></b>	<b><u><u>\$ (296,029)</u></u></b>	<b><u><u>\$ 6,011</u></u></b>	<b><u><u>\$ 6,689,141</u></u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Long-term Obligations**

The long-term debt obligations outstanding at December 31, 2023 are summarized as follows:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding Balance</u>
G.O. Bonds, Series 2012	2.00%	\$ 815,000	\$ 185,000
G.O. Bonds, Series 2017	3.00 - 3.50%	4,875,000	3,915,000
<b>TOTAL</b>			<b><u>\$ 4,100,000</u></b>

Annual debt service requirements to maturity, including interest payments, are as follows:

	<u>Greenwood Connections</u>		
	<u>Long-term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	270,000	125,000	395,000
2025	275,000	117,000	392,000
2026	290,000	108,000	398,000
2027	230,000	100,000	330,000
2028-2030	730,000	300,000	1,030,000
2031-2033	800,000	235,000	1,035,000
2034-2036	875,000	164,000	1,039,000
2037-2038	630,000	80,000	710,000
<b>TOTAL</b>	<b><u>\$ 4,100,000</u></b>	<b><u>\$ 1,229,000</u></b>	<b><u>\$ 5,329,000</u></b>

**Pensions**

A. Plan Description

The Organization participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (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.



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

A. Plan Description (Continued)

All full-time and certain part-time employees of the Organization are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits Provided

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

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

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

C. Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023; the Organization was required to contribute 7.50% for Coordinated Plan members. The Organization's contributions to the General Employees Fund for the fiscal year ended December 31, 2023 was \$464,309. The Organization's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At December 31, 2023, the Organization reported a liability of \$ 2,958,109 for its proportionate share of the General Employees Fund's net pension liability. The Organization's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2023. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Organization totaled \$81,600. 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 Organization's proportion of the net pension liability was based on the Organization's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 to June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the Organization's proportion was 0.056%, which was an increase of .0002% from its proportion measured as of June 30, 2023.

For the period ended December 31, 2023, the Organization recognized pension expense of \$ 390,837, for its proportionate share of General Employee Fund's pension expense. In addition, the Organization recognized an additional \$38 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 MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

D. Pension Costs (Continued)

At December 31, 2023 the Organization reported its proportionate share of General Employees Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,424	\$ 20,571
Changes of assumptions	484,269	810,792
Net difference between projected and actual earnings on pension plan investments	-	61,584
Changes in proportion	91,715	172,261
Organization contributions made subsequent to the measurement date	<u>157,800</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 832,208</u></b>	<b><u>\$ 1,065,208</u></b>

\$78,428 reported as deferred outflows of resources related to pensions resulting from Organization 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 will be recognized in pension expense as follows:

Year Ended December 31:	<u>Pension Expense Amount</u>
2024	\$ 99,210
2025	(458,254)
2026	32,416
2027	<u>(64,172)</u>
<b>TOTAL</b>	<b><u>\$ (390,800)</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. The assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study 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 following changes in actuarial assumptions occurred in 2023:

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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

F. Long-Term Expected Return on Investments

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 weighing 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
<b>TOTAL</b>	<b>100.00%</b>	

F. Discount Rate

The discount rate used to measure the total pension liability 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

G. Pension Liability Sensitivity

The following presents the Organization’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 Organization’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:

<b>Sensitivity Analysis</b>		
<b>Net Pension Liability (Asset) at Different Discount Rates</b>		
	<b>General Employees Fund</b>	
1% lower	6.00%	\$ 5,233,132
Current discount rate	7.00%	2,958,109
1% higher	8.00%	1,086,816

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

**Finance Lease Obligations**

Greenwood Connections leases a copier for 60 months under a long-term noncancelable lease agreement. The lease expires in August 2027 providing a renewal option. The implied interest rate is 3.5%.

The scheduled maturity of the finance lease obligation as of December 21, 2023 is as follows:

	<b>Amount</b>
Year Ended December 31:	
2024	\$ 2,940
2025	2,940
2026	2,940
2027	1,715
Total minimum lease payments	10,535
Less: amount representing interest	1,042
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ 9,493</b>

**CITY OF MENAUGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Litigations, Claims, and Disputes**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

**NOTE 12 – TAX INCREMENT FINANCING DISTRICTS**

The City has one pay-as-you-go tax increment financing district with local businesses to promote economic development within the City as authorized under *Minnesota Statute 469.174*. The City is currently collecting tax increments that are paid through the property tax collection process. Collections on the district will stop as of December 31, 2040. The requirement for the business to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreement calls for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2023, the City paid excess tax increments in the amount of \$16,038. No other commitments were made by the City as part of this agreement.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

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**NOTE 13 – RISK MANAGEMENT** (Continued)

The agreement for formation of LMCIT provides that the pool be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. LMCIT can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**NOTE 14 – CONTINGENCIES**

**Tax Increment Districts**

Tax increment districts are subject to review by the Minnesota Office of the State Auditor. Unallowable use of tax increments could result in a liability to the City. Management is not aware of any instances of noncompliance with tax increment regulations which would have a material effect on the financial statements.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

The net position in the sewer fund was overstated by \$5,000 and the net position in the water fund was understated by \$10,000 in the prior year due to posting TH87 project costs in the wrong fund.



**REQUIRED SUPPLEMENTARY INFORMATION**

**DRAFT**

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULES OF CONTRIBUTIONS**  
**PUBLIC EMPLOYEES FUNDS**  
**(Last Ten Years\*)**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
<b>Public Employees General Employees Fund</b>					
December 31, 2023	\$ 34,823	\$ 34,823	\$ -	\$ 464,309	7.50%
December 31, 2022	27,970	27,970	-	372,933	7.50%
December 31, 2021	34,097	34,097	-	454,623	7.50%
December 31, 2020	33,853	33,853	-	451,373	7.50%
December 31, 2019	28,599	28,599	-	381,316	7.50%
December 31, 2018	29,449	29,449	-	392,653	7.50%
December 31, 2017	27,985	27,985	-	373,132	7.50%
December 31, 2016	28,072	28,072	-	374,293	7.50%
December 31, 2015	24,477	24,477	-	326,360	7.50%
<b>Public Employees Police and Fire Fund</b>					
December 31, 2023	\$ 27,678	\$ 27,678	\$ -	\$ 156,370	17.70%
December 31, 2022	34,439	34,439	-	194,571	17.70%
December 31, 2021	35,841	35,841	-	202,493	17.70%
December 31, 2020	34,701	34,701	-	196,051	17.70%
December 31, 2019	22,779	22,779	-	134,392	16.95%
December 31, 2018	25,046	25,046	-	154,604	16.20%
December 31, 2017	25,884	25,884	-	159,780	16.20%
December 31, 2016	25,194	25,194	-	155,519	16.20%
December 31, 2015	24,373	24,373	-	150,451	16.20%

\* Schedule is provided prospectively until ten years of data is available.

**CITY OF MENA HGA, MINNESOTA**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES FUNDS**  
**(Last Ten Years\*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Public Employees General Employees Fund</b>							
June 30, 2023	0.0056%	\$ 313,146	\$ 8,551	\$ 321,697	\$ 464,309	67.44%	83.10%
June 30, 2022	0.0054%	427,683	12,632	440,315	372,933	114.68%	76.67%
June 30, 2021	0.0063%	269,038	8,226	277,264	454,623	59.18%	87.00%
June 30, 2020	0.0067%	401,696	12,554	414,250	451,373	88.99%	79.06%
June 30, 2019	0.0052%	287,496	674	288,170	381,316	75.40%	80.23%
June 30, 2018	0.0058%	321,760	10,571	332,331	392,653	81.95%	79.53%
June 30, 2017	0.0058%	370,268	4,638	374,906	373,132	99.23%	75.90%
June 30, 2016	0.0060%	487,170	6,385	493,555	374,293	130.16%	68.91%
June 30, 2015	0.0053%	274,674	-	274,674	326,360	84.16%	78.19%
<b>Public Employees Police and Fire Fund</b>							
June 30, 2023	0.0126%	\$ 217,586	\$ 8,759	\$ 226,345	\$ 156,370	139.15%	86.47%
June 30, 2022	0.0169%	735,421	32,058	767,479	194,571	377.97%	70.53%
June 30, 2021	0.0167%	128,906	5,778	134,684	202,493	63.66%	93.66%
June 30, 2020	0.0165%	217,488	-	217,488	196,051	110.93%	87.19%
June 30, 2019	0.0114%	163,082	-	163,082	134,392	121.35%	89.26%
June 30, 2018	0.0153%	163,082	-	163,082	154,604	105.48%	88.84%
June 30, 2017	0.0150%	202,518	-	202,518	159,780	126.75%	85.43%
June 30, 2016	0.0170%	682,240	-	682,240	155,519	438.69%	63.88%
June 30, 2015	0.0160%	181,797	-	181,797	150,451	120.83%	86.61%

\* Schedule is provided prospectively until ten years of data is available.

**CITY OF MENA HGA, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**  
**MENAHGA FIRE RELIEF ASSOCIATION**  
**(Last Ten Years\*)**

	Measurement Date								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 16,463	\$ 16,061	\$ 17,387	\$ 16,963	\$ 15,229	\$ 14,858	\$ 15,728	\$ 13,568	\$ 13,237
Interest cost	16,622	15,702	16,186	15,652	13,427	12,258	12,765	9,773	8,767
Assumption changes	(8,176)	-	-	-	-	-	1,932	-	-
Plan changes	84,450	-	-	-	51,173	-	-	31,918	-
Gain or loss	(21,719)	-	(12,601)	-	(29,196)	-	(20,295)	-	-
Benefit payments	-	(21,064)	(40,975)	-	-	-	(8,980)	-	-
Net change in total pension liability	87,640	10,699	(20,003)	32,615	50,633	27,116	1,150	55,259	22,004
Total pension liability - beginning	374,635	363,936	383,939	351,324	300,691	273,575	272,425	217,166	195,162
Total pension liability - ending (a)	462,275	374,635	363,936	383,939	351,324	300,691	273,575	272,425	217,166
<b>Plan Fiduciary Net Position</b>									
Municipal contributions	3,000	3,000	3,000	3,000	3,000	3,000	3,000	2,000	2,000
State contributions	18,256	15,852	17,699	14,570	13,933	13,681	14,530	13,532	12,857
Projected investment return	24,953	22,714	20,606	18,106	17,614	15,688	15,259	14,621	13,188
Other changes	-	-	-	-	-	-	-	-	3,467
Gain or loss	(110,289)	20,459	40,240	42,073	(23,291)	12,811	2,160	(12,473)	-
Benefit payments	-	(21,064)	(40,975)	-	-	-	(8,980)	-	-
Net Change in Fiduciary Net Position	(64,080)	40,961	40,570	77,749	11,256	45,180	25,969	17,680	31,512
Fiduciary net position - beginning	576,507	535,546	494,976	417,227	405,971	360,791	334,822	317,142	285,630
Fiduciary net position - ending (b)	512,427	576,507	535,546	494,976	417,227	405,971	360,791	334,822	317,142
<b>ASSOCIATION'S NET PENSION ASSET - ENDING (a) - (b)</b>	<b>\$ (50,152)</b>	<b>\$ (201,872)</b>	<b>\$ (171,610)</b>	<b>\$ (111,037)</b>	<b>\$ (65,903)</b>	<b>\$ (105,280)</b>	<b>\$ (87,216)</b>	<b>\$ (62,397)</b>	<b>\$ (99,976)</b>
Fiduciary net position as a percentage of the total pension liability	110.85%	153.88%	147.15%	128.92%	118.76%	135.01%	131.88%	122.90%	146.04%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* Schedule is provided prospectively until ten years of data is available.

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 455,479	\$ 455,479	\$ 439,300	\$ (16,179)
Franchise taxes	500	500	500	-
Total Taxes	455,979	455,979	439,800	(16,179)
Special assessments	-	-	776	776
Payments in lieu of taxes	25,000	25,000	25,000	-
Licenses and permits	1,000	1,000	4,030	3,030
Intergovernmental				
State				
Local government aid	428,426	428,426	428,426	-
Market value credit	315	315	424	109
Fire relief aid	15,000	15,000	20,760	5,760
Police aid	30,000	30,000	31,761	1,761
Other	3,000	3,000	7,383	4,383
Total Intergovernmental	476,741	476,741	488,754	12,013
Charges for Services				
Fire services	61,500	61,500	66,875	5,375
Streets	57,271	57,271	2,580	(54,691)
Dump station fees	1,500	1,500	2,999	1,499
Camping and park rental fees	26,000	26,000	40,838	14,838
Cemetery plot sales and maintenance	1,000	1,000	800	(200)
Total Charges for Services	147,271	147,271	114,092	(33,179)
Fines and Forfeitures	11,000	11,000	4,486	(6,514)
Investment Earnings	3,000	3,000	13,712	10,712
Contributions and Grants	-	-	16,949	16,949
Other	14,100	14,100	23,874	9,774
Total Revenues	1,134,091	1,134,091	1,131,473	(2,618)
<b>EXPENDITURES</b>				
Current				
General Government				
Mayor and council	17,233	17,233	16,073	(1,160)
Clerk/finance and administration	256,025	256,025	246,240	(9,785)
Elections	1,100	1,100	76	(1,024)
Professional fees (audit, legal, etc.)	56,079	56,079	94,721	38,642
Planning and zoning	2,260	2,260	2,803	543
Government buildings	36,738	36,738	41,643	4,905
Other - unclassified	20,948	20,948	1,765	(19,183)
Total General Government	390,383	390,383	403,321	12,938

**CITY OF MENAHA, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
Public Safety				
Police	\$ 364,835	\$ 364,835	\$ 291,761	\$ (73,074)
Fire	81,969	81,969	98,512	16,543
Total Public Safety	<u>446,804</u>	<u>446,804</u>	<u>390,273</u>	<u>(56,531)</u>
Public Works				
Street maintenance	110,409	110,409	125,996	15,587
Street lighting	21,722	21,722	21,185	(537)
Total Public Works	<u>132,131</u>	<u>132,131</u>	<u>147,181</u>	<u>15,050</u>
Culture and Recreation				
City park	51,733	51,733	61,129	9,396
City beach	14,353	14,353	14,392	39
Total Culture and Recreation	<u>66,086</u>	<u>66,086</u>	<u>75,521</u>	<u>9,435</u>
Miscellaneous				
Insurance - unallocated	6,914	6,914	26,558	19,644
Cemetery	-	-	2,701	2,701
Other	1,600	1,600	(6,622)	(8,222)
Total Miscellaneous	<u>8,514</u>	<u>8,514</u>	<u>22,637</u>	<u>14,123</u>
Debt Service				
Principal	31,024	31,024	25,000	(6,024)
Interest	5,459	5,459	5,167	(292)
Total Debt Service	<u>36,483</u>	<u>36,483</u>	<u>30,167</u>	<u>(6,316)</u>
Capital Outlay				
Public safety	20,000	20,000	-	(20,000)
Streets and highways	6,000	6,000	6,874	874
Culture and recreation	2,500	2,500	-	(2,500)
Total Capital Outlay	<u>28,500</u>	<u>28,500</u>	<u>6,874</u>	<u>(21,626)</u>
Total Expenditures	<u>1,108,901</u>	<u>1,108,901</u>	<u>1,075,974</u>	<u>(32,927)</u>
<b>REVENUES OVER EXPENDITURES</b>	<b>25,190</b>	<b>25,190</b>	<b>55,499</b>	<b>30,309</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recovery	5,000	5,000	-	(5,000)
Transfers in	-	-	90,000	90,000
Transfers out	(29,190)	(29,190)	(31,117)	(1,927)
Net Other Financing Sources (Uses)	<u>(24,190)</u>	<u>(24,190)</u>	<u>58,883</u>	<u>83,073</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,000</b>	<b>1,000</b>	<b>114,382</b>	<b>113,382</b>
<b>FUND BALANCES – BEGINNING</b>	<u>157,505</u>	<u>157,505</u>	<u>157,505</u>	<u>-</u>
<b>FUND BALANCES – ENDING</b>	<u><b>\$ 158,505</b></u>	<u><b>\$ 158,505</b></u>	<u><b>\$ 271,887</b></u>	<u><b>\$ 113,382</b></u>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 1 – BUDGETARY INFORMATION**

**Budgetary Data**

The City adopts annual budgets for its General Fund. The budget is adopted in accordance with state statutes. The operating budget is adopted each year for the General Fund and is prepared on a basis consistent with generally accepted accounting principles. The budgetary data is presented in the schedule of revenues, expenditures, and changes in fund balances – budget and actual includes the original approved budget and any subsequent revisions authorized by the City Council, the final approved budget.

Annual appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements.

Administration can authorize transfers of budgeted amounts within any fund. Revisions that change total expenditures of any fund must be approved by the City Council. Budgetary control is maintained at the object of expenditure category within each activity and is in compliance with state statutes.

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Fund**

*2023 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Fund (Continued)**

*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% to 6.50%, 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.



**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2020 Changes* (Continued)

Changes in Actuarial Assumptions (Continued):

- 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*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2018 Changes* (Continued)

Changes in Plan Provisions (Continued):

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

*2016 Changes*

Changes in Actuarial Assumptions:

- The assumed 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.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2016 Changes* (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

*2015 Changes*

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.

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.

**Police and Fire Fund**

*2023 Changes*

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

*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%.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2022 Changes* (Continued)

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% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3%.
- 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% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

*2020 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2019 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2017 Changes* (Continued)

Changes in Actuarial Assumptions (Continued):

- 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.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- 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.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

*2016 Changes*

Changes in Actuarial Assumptions:

- 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.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2023**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**Police and Fire Fund (Continued)**

*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.

**NOTE 3 – SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS (FIRE RELIEF ASSOCIATION)**

*2023 Changes*

Plan Changes:

- The benefit level increased to \$2,000.

Assumption Changes

- The discount rate changed from 4.25% to 5.00%.

*2022 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2021 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2020 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2019 Changes*

Plan Changes

- The annual benefit level increased from \$1,300 to \$1,600.

*2018 Changes*

There were no changes for 2018.

*2017 Changes*

Changes in Actuarial Assumptions

- The discount rate changed from 4.5% to 4.25%

**SUPPLEMENTARY INFORMATION**

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**CITY OF MENAHGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**December 31, 2023**

	Economic Development Revolving Loans	Safe Routes to School	Tax Increment Finance District 1-1	Tax Increment Finance District 1-6	American Rescue Plan	Total
<b>ASSETS</b>						
Cash and investments	\$ 186,484	\$ -	\$ 21,963	\$ -	\$ -	\$ 208,447
<b>TOTAL ASSETS</b>	<b><u>\$ 186,484</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 21,963</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 208,447</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Overdrawn cash and investments	\$ -	\$ 3,292	\$ -	\$ 2,405	\$ -	\$ 5,697
Fund Balances						
Restricted for						
Economic development revolving loans	186,484	-	-	-	-	186,484
Tax increment expenditures	-	-	21,963	-	-	21,963
Unrestricted						
Unassigned	-	(3,292)	-	(2,405)	-	(5,697)
Total Fund Balances	<u>186,484</u>	<u>(3,292)</u>	<u>21,963</u>	<u>(2,405)</u>	<u>-</u>	<u>202,750</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 186,484</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 21,963</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 208,447</u></b>

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**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended December 31, 2023**

	Economic Development Revolving Loans	Safe Routes to School	Tax Increment Finance District 1-1	Tax Increment Finance District 1-6	American Rescue Plan	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>						
Taxes						
Tax increments	\$ -	\$ -	\$ -	\$ 19,408	\$ -	\$ 19,408
Net investment earnings	5,009	-	56	-	-	5,065
Other	1,866	-	-	-	-	1,866
Total Revenues	<u>6,875</u>	<u>-</u>	<u>56</u>	<u>19,408</u>	<u>-</u>	<u>26,339</u>
<b>EXPENDITURES</b>						
Current						
Housing and economic development	-	-	-	16,038	-	16,038
Other	-	-	-	3,168	-	3,168
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,206</u>	<u>-</u>	<u>19,206</u>
<b>REVENUES OVER EXPENDITURES</b>	6,875	-	56	202	-	7,133
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,256)</u>	<u>(2,256)</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,875	-	56	202	(2,256)	4,877
<b>FUND BALANCES – BEGINNING</b>	<u>179,609</u>	<u>(3,292)</u>	<u>21,907</u>	<u>(2,607)</u>	<u>2,256</u>	<u>197,873</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 186,484</u>	<u>\$ (3,292)</u>	<u>\$ 21,963</u>	<u>\$ (2,405)</u>	<u>\$ -</u>	<u>\$ 202,750</u>

**CITY OF MENAUGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUND BY BOND ISSUE**  
**December 31, 2023**

	1996 Water/Sewer Debt Service	Nursing Home Debt Service	2013 Street & Utility Debt Service	2015 G.O. Improvement Refunding Bonds	Total
<b>ASSETS</b>					
Cash and investments	\$ 37,133	\$ 24,956	\$ 142,856	\$ -	\$ 204,945
Taxes receivable – delinquent	97	-	2,116	982	3,195
Special assessments receivable	73,959	-	302,198	60,077	436,234
Due from other governmental units	768	-	1,972	2,610	5,350
Notes receivable from component unit	-	4,100,000	-	-	4,100,000
<b>TOTAL ASSETS</b>	<b><u>\$ 111,957</u></b>	<b><u>\$ 4,124,956</u></b>	<b><u>\$ 449,142</u></b>	<b><u>\$ 63,669</u></b>	<b><u>\$ 4,749,724</u></b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Overdrawn cash and investments	\$ -	\$ -	\$ -	\$ 62,713	\$ 62,713
Deferred Inflows of Resources					
Unavailable revenue - taxes	97	-	2,116	982	3,195
Unavailable revenue - special assessments	73,958	-	302,198	60,077	436,233
Unearned revenue - loans receivable	-	4,100,000	-	-	4,100,000
Total Deferred Inflows of Resources	74,055	4,100,000	304,314	61,059	4,539,428
Fund Balances					
Restricted for Debt service	37,902	24,956	144,828	(60,103)	147,583
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 111,957</u></b>	<b><u>\$ 4,124,956</u></b>	<b><u>\$ 449,142</u></b>	<b><u>\$ 63,669</u></b>	<b><u>\$ 4,749,724</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND BY BOND ISSUE**  
**Year Ended December 31, 2023**

	1990 G.O. City Hall Bonds	1996 Water/Sewer Debt Service	Nursing Home Debt Service	2003 G.O. Bonds Debt Service	2004 G.O. Bonds Debt Service	2006 G.O. Bonds Debt Service
<b>REVENUES</b>						
Property taxes	\$ 35	\$ -	\$ -	\$ -	\$ 6	\$ -
Special assessments	-	26,307	-	82	234	-
Net investment earnings	1	956	61	2	8	-
Other	-	-	398,719	-	-	-
Total Revenues	<u>36</u>	<u>27,263</u>	<u>398,780</u>	<u>84</u>	<u>248</u>	<u>-</u>
<b>EXPENDITURES</b>						
Debt service						
Principal	-	-	265,000	-	-	-
Interest	-	-	134,194	-	113	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>399,194</u>	<u>-</u>	<u>113</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	36	27,263	(414)	84	135	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	6,554	-	-	-	146,162
Transfers out	(509)	(146,162)	-	(1,085)	(4,960)	-
Total Other Financing Sources (Uses)	<u>(509)</u>	<u>(139,608)</u>	<u>-</u>	<u>(1,085)</u>	<u>(4,960)</u>	<u>146,162</u>
<b>NET CHANGE IN FUND BALANCES</b>	(473)	(112,345)	(414)	(1,001)	(4,825)	146,162
<b>FUND BALANCES – BEGINNING</b>	<u>473</u>	<u>150,247</u>	<u>25,370</u>	<u>1,001</u>	<u>4,825</u>	<u>(146,162)</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ 37,902</u></u>	<u><u>\$ 24,956</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND BY BOND ISSUE**  
**Year Ended December 31, 2023**

	<b>2012A</b>	<b>2013</b>	<b>2015 G.O.</b>	<b>2020A G.O.</b>	<b>Total</b>
	<b>Fire Truck</b>	<b>Street &amp; Utility Debt Service</b>	<b>Improvement Refunding Bonds</b>	<b>Refunding Bonds</b>	
<b>REVENUES</b>					
Property taxes	\$ -	\$ 8,657	\$ 33,963	\$ 59,313	\$ 101,974
Special assessments	-	67,430	17,767	-	111,820
Net investment earnings	-	625	-	-	1,653
Other	-	-	-	-	398,719
Total Revenues	<u>-</u>	<u>76,712</u>	<u>51,730</u>	<u>59,313</u>	<u>614,166</u>
<b>EXPENDITURES</b>					
Debt service					
Principal	-	20,000	55,000	150,000	490,000
Interest	-	5,976	12,377	10,890	163,550
Total Expenditures	<u>-</u>	<u>25,976</u>	<u>67,377</u>	<u>160,890</u>	<u>653,550</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	50,736	(15,647)	(101,577)	(39,384)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,117	-	-	149,008	302,841
Transfers out	-	(149,008)	-	-	(301,724)
Total Other Financing Sources (Uses)	<u>1,117</u>	<u>(149,008)</u>	<u>-</u>	<u>149,008</u>	<u>1,117</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,117	(98,272)	(15,647)	47,431	(38,267)
<b>FUND BALANCES – BEGINNING</b>	<u>(1,117)</u>	<u>243,100</u>	<u>(44,456)</u>	<u>(47,431)</u>	<u>185,850</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ -</u>	<u>\$ 144,828</u>	<u>\$ (60,103)</u>	<u>\$ -</u>	<u>\$ 147,583</u>

**CITY OF MENAUGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUND BY CAPITAL PROJECT**  
**December 31, 2023**

	<u>Capital Equipment</u>	<u>Region 5 Energy Initiative</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 185,604	\$ 16,467	\$ 202,071
Advance from other funds	<u>62,974</u>	<u>-</u>	<u>62,974</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 248,578</b></u>	<u><b>\$ 16,467</b></u>	<u><b>\$ 265,045</b></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund Balances			
Restricted for Capital projects	<u>248,578</u>	<u>16,467</u>	<u>265,045</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 248,578</b></u>	<u><b>\$ 16,467</b></u>	<u><b>\$ 265,045</b></u>

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**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND BY CAPITAL PROJECT**  
**Year Ended December 31, 2023**

	<u>Capital Equipment</u>	<u>Region 5 Energy Initiative</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental	\$ 59,033	\$ -	\$ 59,033
Net investment earnings	4,913	39	4,952
Contributions and donations	-	10,000	10,000
Other	-	1,449	1,449
Total Revenues	<u>63,946</u>	<u>11,488</u>	<u>75,434</u>
<b>OPERATING EXPENSES</b>			
Current			
Public works	46,884	-	46,884
Other	-	5,021	5,021
Total Expenditures	<u>46,884</u>	<u>5,021</u>	<u>51,905</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	17,062	6,467	23,529
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	47,062	6,467	53,529
<b>FUND BALANCES – BEGINNING</b>	<u>201,516</u>	<u>10,000</u>	<u>211,516</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ 248,578</u></u>	<u><u>\$ 16,467</u></u>	<u><u>\$ 265,045</u></u>

**OTHER REPORTS**

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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***

To the Honorable Mayor and Members of the City Council  
City of Menahga, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menahga, Minnesota as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated July 29, 2024.

The City’s basic financial statements include the operations of Greenwood Connections. This report does not include reporting on internal control over financial reporting or instances of noncompliance associated with Greenwood Connections because the component unit engaged for its own separate audit that included the provisions of the *Government Auditing Standards* issued by the Comptroller General of the United States.

**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 of Menahga, Minnesota’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Menahga, Minnesota’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2023-001, 2023-002, and 2023-003, that we consider to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Menahga, Minnesota'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **City of Menahga, Minnesota's Response to Findings**

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

**Purpose of this Report**

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

Carlson AV CPA

Fergus Falls, Minnesota  
July 29, 2024

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**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
**December 31, 2023**

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**SIGNIFICANT DEFICIENCIES**

**2023-001. Preparation of Financial Statements and Related Footnotes**

*Criteria:* Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with the regulatory basis of accounting, the preparer must have the necessary expertise.

*Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. City personnel do prepare periodic financial statements and other financial information for internal use that meet the needs of management and Council. However, the City does not have the internal resources to prepare full-disclosure financial statements required by the regulatory basis of accounting for external reporting. As auditors, we were requested to draft the financial statements and accompanying footnotes.

*Cause:* The City does not have the resources to compile its own financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This control deficiency is not unusual in a small city. However, it is the responsibility of management and the Council to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

*Management's Response and Actions Planned:* The City's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to the users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRET YEAR FINDINGS AND RESPONSES**  
**December 31, 2023**

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**2023-002. Segregation of Duties**

*Criteria:* Internal controls should be in place that provide reasonable assurance that proper segregation of duties is achieved.

*Condition:* The City has a limited number of office personnel and, accordingly, does not have adequate separation of duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation. An effective internal control structure provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Cause:* The City has a limited number of office personnel and inadequate internal controls.

*Effect:* The failure to properly segregate duties increases the risk that misstatements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* It is important that the City be aware of this condition and look for opportunities to improve segregation of duties or add mitigating controls to prevent material misstatement of the financial statements.

*Management's Response and Actions Planned:* The City's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management attempts to mitigate the associated risks by doing the following:

1. Identifying areas lacking segregation of duties and where there are higher risks of fraud occurring.
2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency:
  - a. Administrative Assistant began picking up mail and processing payments in 2022. Checks are separated from check stub. The check stubs are given to Deputy Clerk for processing.
  - b. At the end of each day, Administrative Assistant counts cash and checks. In Administrative Assistant's absence, another employee separate from receiving or depositing cash and checks, performs daily cash and check counts. At no time is the staff picking up mail and separating cash receipts and checks the same person.
  - c. Accounts payable are received by Deputy Clerk. The Deputy Clerk provides a copy to Department Head(s) for coding and signature. It is then entered in the accounting system and given to City Administrator for verification and approval.

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRET YEAR FINDINGS AND RESPONSES**  
**December 31, 2023**

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**2023-002. Segregation of Duties (Continued)**

- d. All checks signed by either the Deputy Clerk or City Administrator, and Mayor or Vice-Mayor.
  - e. Cameras have been installed above cash drawers.
  - f. All cash transactions are verified by two people and the customers are asked to sign for change received, if any.
  - g. During a meeting with S&P in March 2022, the City agreed to complete an internal control audit to ensure proper financial duties are being completed. In June 2022, internal control audit findings were presented to the City Council. The City immediately put the recommendations into place as outlined in a. to g. above.
3. Using the knowledge of management and the Council to review accounting records and reports.

**2023-003. Audit Adjustments**

*Criteria:* City management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including reporting of accruals and other reclassification amounts.

*Condition:* As part of the audit, we proposed material adjustments for the reporting of accruals and note disclosure preparation.

*Cause:* The City has a limited number of office personnel with financial reporting experience.

*Effect:* The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate accrual basis financial information.

*Recommendation:* We recommend City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and reclassifications and develop internal control policies to ensure proper recording of these items.

*Management's Response and Actions Planned:* The Temporary City Administrator and Temporary Deputy Clerk plan to assume full responsibility for all accrual adjustments prepared to present the financial statements on accrual basis and to eliminate the audit finding as time permits.



## COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

July 29, 2024

To the Honorable Mayor and Members of the City Council  
City of Menahga, Minnesota

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 Menahga, Minnesota for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### SIGNIFICANT AUDIT MATTERS

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjusting journal entries are attached to this letter for your review.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 29, 2024.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the required supplementary information, as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



We were engaged to report on the supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Carlson AV LLP*

Fergus Falls, Minnesota

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**Client:** CITY OF MENAHGA  
**Engagement:** 12/31/23 Audit  
**Current Period:** 12/31/2023  
**Workpaper:** Adjusting Journal Entries

Account	Description	Debit	Credit	Net Income Effect
<b>1</b>				
To adjust principal payments against outstanding debt.				
601-49420-600	600 Principal	0.00	15,000.00	
601-49451-600	600 Principal	0.00	10,500.00	
601-22530	22530 Revenue Bonds Payable	25,500.00	0.00	
<b>Total</b>		<b>25,500.00</b>	<b>25,500.00</b>	<b>25,500.00</b>
<b>2</b>				
To record capital contribution for PFA loan.				
601-22530	22530 Revenue Bonds Payable	0.00	228,420.00	
601-00000-39210	39210 CAPITAL CONTRIBUTION	228,420.00	0.00	
417-00000-33000	33000 Intergovernmental Revenues	228,420.00	0.00	
417-00000-39210	39210 CAPITAL CONTRIBUTION	0.00	228,420.00	
<b>Total</b>		<b>456,840.00</b>	<b>456,840.00</b>	<b>(228,420.00)</b>
<b>3</b>				
To adjust accrued interest payable.				
601-21500	21500 Accrued Interest Payable	0.00	3,221.00	
601-49420-610	610 Interest	3,221.00	0.00	
<b>Total</b>		<b>3,221.00</b>	<b>3,221.00</b>	<b>(3,221.00)</b>
<b>4</b>				
To adjust special assessments receivable to County reports.				
316-12200	12200 Special Assess Rec-Delinquent	2,540.02	0.00	
316-22200	22200 Deferred Revenues	0.00	2,540.02	
317-12200	12200 Special Assess Rec-Delinquent	0.00	1,439.31	
317-22200	22200 Deferred Revenues	1,439.31	0.00	
601-12200	12200 Special Assess Rec-Delinquent	0.00	1,647.59	
601-00000-37100	37100 Water Revenue	1,647.59	0.00	
602-12200	12200 Special Assess Rec-Delinquent	0.00	915.00	
602-00000-37200	37200 Sewer Revenues	915.00	0.00	
307-12200	12200 Special Assess Rec-Delinquent	7,591.62	0.00	
307-22200	22200 Deferred Revenues	0.00	7,591.62	
<b>Total</b>		<b>14,133.54</b>	<b>14,133.54</b>	<b>(2,562.59)</b>
<b>5</b>				
To adjust PY receivable for overpayment to vendor (Bergstrom Electric)				
601-49400-500	500 Capital Outlay	14,236.00	0.00	
601-11500	11500 Accounts Receivable	0.00	14,236.00	
<b>Total</b>		<b>14,236.00</b>	<b>14,236.00</b>	<b>(14,236.00)</b>
<b>6</b>				
To reverse prior year accounts payable				
101-20200	20200 Accounts Payable	23,808.90	0.00	
101-45200-430	430 Miscellaneous Expense	0.00	50.46	
101-42200-212	212 Motor Fuels & Lubricants	0.00	141.29	
101-42110-212	212 Motor Fuels & Lubricants	0.00	1,012.12	
101-42110-321	321 Telephone/Fax/Internet	0.00	62.42	
101-41500-309	309 Computer Support Services	0.00	405.31	
101-42200-321	321 Telephone/Fax/Internet	0.00	46.09	
101-41500-309	309 Computer Support Services	0.00	130.00	
101-41400-321	321 Telephone/Fax/Internet	0.00	351.74	
101-45120-325	325 Internet	0.00	42.41	
101-45200-325	325 Internet	0.00	34.95	

101-43100-321	321 Telephone/Fax/Internet	0.00	45.09
101-42110-321	321 Telephone/Fax/Internet	0.00	243.45
101-41400-321	321 Telephone/Fax/Internet	0.00	92.28
101-43100-321	321 Telephone/Fax/Internet	0.00	41.14
101-42200-321	321 Telephone/Fax/Internet	0.00	40.01
101-42110-304	304 Legal Services	0.00	1,575.00
101-42110-220	220 Repair & Maintenance	0.00	804.42
101-43100-220	220 Repair & Maintenance	0.00	8.75
101-43100-212	212 Motor Fuels & Lubricants	0.00	621.60
101-42110-217	217 Uniform Allowance	0.00	500.00
101-43100-210	210 Operating Supplies	0.00	9,660.00
101-41940-386	386 Cleaning Services	0.00	57.60
101-42110-305	305 Professional Services	0.00	1,511.25
101-42110-131	131 Employer Paid Health	0.00	872.53
101-43100-131	131 Employer Paid Health	0.00	1,317.71
101-41000-131	131 Employer Paid Health	0.00	1,466.05
101-41400-131	131 Employer Paid Health	0.00	1,704.63
101-42110-131	131 Employer Paid Health	0.00	872.53
601-20200	20200 Accounts Payable	3,066.16	0.00
601-49400-309	309 Computer Support Services	0.00	236.43
601-49400-321	321 Telephone/Fax/Internet	0.00	60.21
601-49400-321	321 Telephone/Fax/Internet	0.00	41.14
601-49400-304	304 Legal Services	0.00	774.37
601-49400-305	305 Professional Services	0.00	1.35
601-49400-212	212 Motor Fuels & Lubricants	0.00	621.60
601-49400-131	131 Employer Paid Health	0.00	1,317.71
601-49400-220	220 Repair & Maintenance	0.00	13.35
101-41400-430	430 Miscellaneous Expense	0.00	98.07
602-20200	20200 Accounts Payable	3,026.03	0.00
602-49450-309	309 Computer Support Services	0.00	236.43
602-49450-321	321 Telephone/Fax/Internet	0.00	20.07
602-49450-321	321 Telephone/Fax/Internet	0.00	41.14
602-49450-304	304 Legal Services	0.00	774.38
602-49450-305	305 Professional Services	0.00	1.35
602-49450-305	305 Professional Services	0.00	621.60
602-49450-131	131 Employer Paid Health	0.00	1,317.71
602-49450-210	210 Operating Supplies	0.00	13.35
609-20200	20200 Accounts Payable	3,186.77	0.00
609-49760-309	309 Computer Support Services	0.00	123.84
609-49750-309	309 Computer Support Services	0.00	123.84
609-49750-321	321 Telephone/Fax/Internet	0.00	14.72
609-49750-419	419 Equipment Lease	0.00	170.89
609-49760-321	321 Telephone/Fax/Internet	0.00	14.72
609-49760-385	385 Cable Utilities	0.00	217.61
609-49760-419	419 Equipment Lease	0.00	170.88
609-49750-321	321 Telephone/Fax/Internet	0.00	40.01
609-49750-210	210 Operating Supplies	0.00	21.36
609-49750-333	333 Freight	0.00	7.71
609-49750-155	155 Sales Tax	0.00	4.17
609-49760-210	210 Operating Supplies	0.00	76.18
609-49760-333	333 Freight	0.00	7.71
609-49760-155	155 Sales Tax	0.00	4.16
609-49760-210	210 Operating Supplies	0.00	113.75
609-49760-155	155 Sales Tax	0.00	1.78
609-49750-340	340 Advertising	0.00	47.00
609-49760-340	340 Advertising	0.00	47.00
609-49750-254	254 Snack, Ice, Soda Purchases	0.00	37.00
609-49760-220	220 Repair & Maintenance	0.00	453.00
609-49760-131	131 Employer Paid Health	0.00	744.72
609-49760-131	131 Employer Paid Health	0.00	744.72
417-20200	20200 Accounts Payable	61,845.00	0.00
417-00000-302	302 Construction Expense	0.00	61,845.00
<b>Total</b>		<b>94,932.86</b>	<b>94,932.86</b>
			<b>94,932.86</b>

**7**

To adjust accounts receivable.

601-11500	11500 Accounts Receivable	21,880.00	0.00	
601-00000-37100	37100 Water Revenue	0.00	21,880.00	
602-11500	11500 Accounts Receivable	2,622.00	0.00	
602-00000-37200	37200 Sewer Revenues	0.00	2,622.00	
<b>Total</b>		<b><u>24,502.00</u></b>	<b><u>24,502.00</u></b>	<b><u>24,502.00</u></b>

**8**

To adjust cash on hand to actual at year-end

609-10110	10110 ATM Cash Account	1,000.00	0.00	
609-49750-34957	34957 Apparel Sales	0.00	1,000.00	
<b>Total</b>		<b><u>1,000.00</u></b>	<b><u>1,000.00</u></b>	<b><u>1,000.00</u></b>

**9**

To adjust net pension liability and deferred items related to pensions.

601-23000	23000 Net Pension Liability	6,423.00	0.00	
601-14000	14000 Deferred Outflows - Pension Re	0.00	9,519.00	
601-22900	22900 Deferred Inflows - Pension Rel	0.00	4,758.00	
601-49400-121	121 PERA	7,854.00	0.00	
602-23000	23000 Net Pension Liability	9,930.00	0.00	
602-14000	14000 Deferred Outflows - Pension Re	0.00	9,106.00	
602-22900	22900 Deferred Inflows - Pension Rel	0.00	4,138.00	
602-49450-121	121 PERA	3,314.00	0.00	
609-23000	23000 Net Pension Liability	34,597.00	0.00	
609-14000	14000 Deferred Outflows - Pension Re	0.00	9,496.00	
609-22900	22900 Deferred Inflows - Pension Rel	0.00	21,279.00	
609-49750-121	121 PERA	0.00	3,822.00	
<b>Total</b>		<b><u>62,118.00</u></b>	<b><u>62,118.00</u></b>	<b><u>(7,346.00)</u></b>

**10**

To adjust nursing home lease receivable for payments made.

310-13000	13000 Lease Receivable	0.00	265,000.00	
310-22200	22200 Deferred Revenues	265,000.00	0.00	
<b>Total</b>		<b><u>265,000.00</u></b>	<b><u>265,000.00</u></b>	<b><u>0.00</u></b>

**11**

To adjust deferred special assessments to County report.

307-12300	12300 Special Assess Rec-Deferred	8,608.56	0.00	
307-22200	22200 Deferred Revenues	0.00	8,608.56	
316-12300	12300 Special Assess Rec-Deferred	0.00	10,279.86	
316-22200	22200 Deferred Revenues	10,279.86	0.00	
<b>Total</b>		<b><u>18,888.42</u></b>	<b><u>18,888.42</u></b>	<b><u>0.00</u></b>

**12**

To reverse prior year liquor store inventory

609-49750-252	252 Beer Purchases	36,087.00	0.00	
609-49750-251	251 Liquor Purchases	36,995.00	0.00	
609-49750-251	251 Liquor Purchases	6,269.00	0.00	
609-49750-256	256 Tobacco Products For Resale	428.00	0.00	
609-49750-254	254 Snack, Ice, Soda Purchases	3,685.00	0.00	
609-14200	14200 Inventory - Liquor	0.00	83,464.00	
<b>Total</b>		<b><u>83,464.00</u></b>	<b><u>83,464.00</u></b>	<b><u>(83,464.00)</u></b>

**13**

To set up current year liquor store ending inventory

609-14200	14200 Inventory - Liquor	83,093.00	0.00	
609-49750-252	252 Beer Purchases	0.00	32,145.00	
609-49760-252	252 Beer Purchases	0.00	591.00	
609-49750-251	251 Liquor Purchases	0.00	37,339.00	

609-49760-251	251 Liquor Purchases	0.00	896.00
609-49750-256	256 Tobacco Products For Resale	0.00	596.00
609-49750-251	251 Liquor Purchases	0.00	7,054.00
609-49750-254	254 Snack, Ice, Soda Purchases	0.00	2,569.00
609-49760-254	254 Snack, Ice, Soda Purchases	0.00	1,903.00
<b>Total</b>		<b>83,093.00</b>	<b>83,093.00</b>

**14**

To set up current year accounts payable

101-43100-210	210 Operating Supplies	6.75	0.00
750-21722	21722 Uniform Deduction	33.04	0.00
750-21722	21722 Uniform Deduction	33.04	0.00
750-21722	21722 Uniform Deduction	33.04	0.00
601-49400-210	210 Operating Supplies	29.23	0.00
601-49400-210	210 Operating Supplies	676.47	0.00
601-49400-305	305 Professional Services	2.70	0.00
602-49450-305	305 Professional Services	2.70	0.00
609-49760-210	210 Operating Supplies	91.56	0.00
101-41940-381	381 Electric Utilities	175.03	0.00
101-43160-381	381 Electric Utilities	598.54	0.00
101-43160-381	381 Electric Utilities	42.35	0.00
101-43160-381	381 Electric Utilities	614.33	0.00
101-43160-381	381 Electric Utilities	571.88	0.00
602-49450-381	381 Electric Utilities	257.03	0.00
101-45200-381	381 Electric Utilities	31.70	0.00
602-49450-381	381 Electric Utilities	30.95	0.00
602-49450-381	381 Electric Utilities	99.36	0.00
101-43100-560	560 Learning Center Expenses	94.35	0.00
101-41940-381	381 Electric Utilities	21.20	0.00
602-49450-381	381 Electric Utilities	23.89	0.00
101-41940-381	381 Electric Utilities	399.98	0.00
609-49750-381	381 Electric Utilities	515.14	0.00
609-49760-381	381 Electric Utilities	515.13	0.00
601-49400-381	381 Electric Utilities	1,843.96	0.00
602-49450-381	381 Electric Utilities	42.41	0.00
101-45200-381	381 Electric Utilities	19.01	0.00
602-49450-381	381 Electric Utilities	31.46	0.00
602-49450-381	381 Electric Utilities	23.96	0.00
101-45200-381	381 Electric Utilities	106.04	0.00
101-45200-381	381 Electric Utilities	20.42	0.00
101-43100-381	381 Electric Utilities	83.83	0.00
602-49450-381	381 Electric Utilities	29.76	0.00
101-41940-386	386 Cleaning Services	148.00	0.00
101-20200	20200 Accounts Payable	0.00	2,933.41
601-20200	20200 Accounts Payable	0.00	2,552.36
602-20200	20200 Accounts Payable	0.00	541.52
609-20200	20200 Accounts Payable	0.00	1,121.83
750-20200	20200 Accounts Payable	0.00	99.12
101-41500-304	304 Legal Services	2,070.00	0.00
601-49400-304	304 Legal Services	495.00	0.00
602-49450-304	304 Legal Services	495.00	0.00
602-49450-210	210 Operating Supplies	10.98	0.00
609-49750-340	340 Advertising	22.00	0.00
609-49760-340	340 Advertising	22.00	0.00
101-42200-433	433 Dues and Subscriptions	160.00	0.00
609-49760-220	220 Repair & Maintenance	292.22	0.00
101-43100-210	210 Operating Supplies	328.50	0.00
101-41500-304	304 Legal Services	700.00	0.00
101-41940-386	386 Cleaning Services	59.20	0.00
101-20200	20200 Accounts Payable	0.00	3,317.70
601-20200	20200 Accounts Payable	0.00	495.00
602-20200	20200 Accounts Payable	0.00	505.98
609-20200	20200 Accounts Payable	0.00	336.22
101-41940-305	305 Professional Services	398.75	0.00
101-41940-210	210 Operating Supplies	9.56	0.00
101-41400-200	200 Office Supplies	60.72	0.00

101-42110-200	200 Office Supplies	93.78	0.00	
609-49750-340	340 Advertising	22.00	0.00	
609-49760-340	340 Advertising	22.00	0.00	
101-41400-350	350 Printing & Publishing	104.50	0.00	
101-43100-217	217 Uniform Allowance	125.02	0.00	
101-20200	20200 Accounts Payable	0.00	792.33	
609-20200	20200 Accounts Payable	0.00	44.00	
<b>Total</b>		<b>12,739.47</b>	<b>12,739.47</b>	<b>(12,640.35)</b>

**15**  
To adjust December 2023 sales tax payable to actual at year-end

601-00000-37100	37100 Water Revenue	4,246.25	0.00	
601-20800	20800 Due to Other Governments	0.00	4,246.25	
609-20800	20800 Due to Other Governments	5,033.90	0.00	
609-00000-37812	37812 Beer Sales - (Off)	0.00	5,033.90	
<b>Total</b>		<b>9,280.15</b>	<b>9,280.15</b>	<b>787.65</b>

**16**  
To close out Fund 318 to 316 Fund.

318-10700	10700 Taxes Receivable-Delinquent	0.00	1,209.05	
318-22210	22210 Unavailable Property Taxes	1,209.05	0.00	
316-10700	10700 Taxes Receivable-Delinquent	1,209.05	0.00	
316-22210	22210 Unavailable Property Taxes	0.00	1,209.05	
318-10100	10100 CASH	149,008.16	0.00	
318-00000-99000	99000 Transfer In	0.00	149,008.16	
316-10100	10100 CASH	0.00	149,008.16	
316-00000-990	Transfers Out	149,008.16	0.00	
<b>Total</b>		<b>300,434.42</b>	<b>300,434.42</b>	<b>0.00</b>

**17**  
To adjust project expenses from capital funds to enterprise funds

417-00000-39210	39210 CAPITAL CONTRIBUTION	266,732.69	0.00	
417-00000-302	302 Construction Expense	0.00	222,788.42	
417-00000-303	303 Engineering Fees	0.00	36,497.95	
417-00000-305	305 Professional Services	0.00	7,302.32	
417-00000-350	350 Printing & Publishing	0.00	144.00	
601-16000	16000 Construction in Progress	266,732.69	0.00	
601-00000-39210	39210 CAPITAL CONTRIBUTION	0.00	266,732.69	
<b>Total</b>		<b>533,465.38</b>	<b>533,465.38</b>	<b>266,732.69</b>

**18**  
To move 418 fund amounts to 417 fund, per client.

418-00000-303	303 Engineering Fees	0.00	23,358.50	
418-00000-350	350 Printing & Publishing	0.00	144.00	
418-00000-99000	Transfer In	0.00	16,303.00	
418-10100	10100 CASH	39,805.50	0.00	
417-00000-303	303 Engineering Fees	23,358.50	0.00	
417-00000-350	350 Printing & Publishing	144.00	0.00	
417-00000-990	Transfers Out	16,303.00	0.00	
417-10100	10100 CASH	0.00	39,805.50	
<b>Total</b>		<b>79,611.00</b>	<b>79,611.00</b>	<b>0.00</b>

19

To adjust capital assets to balance sheet

609-49750-500	500 Capital Outlay	0.00	3,410.81
609-49760-500	500 Capital Outlay	0.00	23,685.64
609-16420	16420 Fixed Asset-Office Equipment	27,096.45	0.00
<b>Total</b>		<b>27,096.45</b>	<b>27,096.45</b>

20

DO NOT POST - Alvina passed along journal entries on May 17, 2024. She posted to December 2023.

101-41400-102	102 Admin Salary In	0.00	20,324.11
101-42200-104	104 Admin Salaries	2,400.00	0.00
601-49400-104	104 Admin Salaries	7,767.11	0.00
602-49450-104	104 Admin Salaries	7,767.00	0.00
609-49750-104	104 Admin Salaries	1,195.00	0.00
609-49760-104	104 Admin Salaries	1,195.00	0.00
601-10100	10100 CASH	0.00	7,767.11
602-10100	10100 CASH	0.00	7,767.00
609-10100	10100 CASH	0.00	2,390.00
101-10100	10100 CASH	17,924.11	0.00
101-42110-990	990 Transfer Out	15,000.00	0.00
101-10100	10100 CASH	0.00	15,000.00
406-10104	10104 Police Sinking	15,000.00	0.00
406-42110-99000	99000 Transfer In	0.00	15,000.00
406-10100	10100 CASH	0.00	3,731.59
406-10104	10104 Police Sinking	3,731.59	0.00
<b>Total</b>		<b>71,979.81</b>	<b>71,979.81</b>

21

DO NOT POST - Alvina passed along entries on May 17, 2024 which she posted to December 2023

609-49750-990	990 Transfer Out	32,500.00	0.00
609-49760-990	990 Transfer Out	32,500.00	0.00
609-10100	10100 CASH	0.00	65,000.00
601-49400-990	990 Transfer Out	15,000.00	0.00
601-10100	10100 CASH	0.00	15,000.00
602-49450-990	990 Transfer Out	10,000.00	0.00
602-10100	10100 CASH	0.00	10,000.00
101-00000-39204	39204 Transfer from Liquor Fund	0.00	65,000.00
101-00000-39202	39202 Transfer from Water Fund	0.00	15,000.00
101-00000-39203	39203 Transfer from Sewer Fund	0.00	10,000.00
101-10100	10100 CASH	90,000.00	0.00
<b>Total</b>		<b>180,000.00</b>	<b>180,000.00</b>

22

To adjust due from other governments for Dec tax settlement.

101-13200	13200 Due From Other Governments	746.28	0.00
101-00000-31010	31010 Current Ad Valorem Taxes	0.00	746.28
307-13200	13200 Due From Other Governments	463.86	0.00
307-00000-01405	01405 Assess Current TH71	0.00	463.86
316-13200	13200 Due From Other Governments	0.00	2,841.75
316-00000-33405	33405 Spec Assess - Current	2,841.75	0.00
317-13200	13200 Due From Other Governments	2,318.94	0.00
317-00000-31010	31010 Current Ad Valorem Taxes	0.00	1,969.43
317-00000-33405	33405 Spec Assess - Current	0.00	349.51
<b>Total</b>		<b>6,370.83</b>	<b>6,370.83</b>

**23**

To adjust property taxes receivable to confirmation received.

307-10700	10700 Taxes Receivable-Delinquent	97.16	0.00	
307-22210	Unavailable Property Taxes	0.00	97.16	
316-10700	10700 Taxes Receivable-Delinquent	701.04	0.00	
316-22210	22210 Unavailable Property Taxes	0.00	701.04	
317-10700	10700 Taxes Receivable-Delinquent	0.00	82.64	
317-22210	22210 Unavailable Property Taxes	82.64	0.00	
101-10700	10700 Taxes Receivable-Delinquent	4,567.57	0.00	
101-22200	22200 Deferred Revenues	9,501.78	0.00	
101-22210	Unavailable Property Taxes	0.00	14,069.35	
<b>Total</b>		<b>14,950.19</b>	<b>14,950.19</b>	<b>0.00</b>

**24**

To record prior period adjustment to move TH87 project to water fund.

602-16000	16000 Construction in Progress	0.00	5,000.00	
602-25300	25300 Unreserved Fund Balance	5,000.00	0.00	
601-16000	16000 Construction in Progress	10,000.00	0.00	
601-25300	25300 Unreserved Fund Balance	0.00	10,000.00	
<b>Total</b>		<b>15,000.00</b>	<b>15,000.00</b>	<b>0.00</b>

**25**

To adjust CIP for items placed in service.

601-16000	16000 Construction in Progress	0.00	23,727.00	
601-16400	16400 Fixed Asset-Equip/Machinery	23,727.00	0.00	
<b>Total</b>		<b>23,727.00</b>	<b>23,727.00</b>	<b>0.00</b>

**26**

To record current year depreciation.

601-16310	16310 Accum Deprec-Imprv/Not Bldg	0.00	232,634.31	
601-16410	16410 Fixed Asset-Equip Depreciation	0.00	5,637.65	
601-49400-420	420 Depreciation Expense	238,271.96	0.00	
602-16310	16310 Accum Deprec-Imprv/Not Bldg	0.00	115,314.16	
602-16410	16410 Fixed Asset-Equip Depreciation	0.00	5,063.52	
602-49450-420	420 Depreciation Expense	120,377.68	0.00	
609-16210	16210 Accum Deprec Bldg	0.00	7,279.67	
609-16430	16430 Fixed Asset-Equip Accum Deprec	0.00	1,327.64	
609-49750-420	420 Depreciation Expense	8,607.31	0.00	
<b>Total</b>		<b>367,256.95</b>	<b>367,256.95</b>	<b>(367,256.95)</b>

**27**

To adjust accrued wages.

101-21600	21600 Accrued Wages & Salaries Payab	6,639.50	0.00	
101-43100-101	101 Salaries	0.00	504.21	
101-42110-101	101 Salaries	0.00	1,659.93	
101-41400-101	101 Salaries	0.00	4,475.36	
<b>Total</b>		<b>6,639.50</b>	<b>6,639.50</b>	<b>6,639.50</b>

**28**

To adjust accrued compensated absences.

609-22800	22800 Accrued Compensated Absences	0.00	5,374.84	
609-22700	22700 Current Portion-Comp Abs	0.00	2,687.43	
609-49750-101	101 Salaries	4,031.14	0.00	
609-49760-101	101 Salaries	4,031.13	0.00	
602-22700	22700 Current Portion-Comp Abs	392.44	0.00	
602-22800	22800 Accrued Compensated Absences	784.87	0.00	
602-49450-101	101 Salaries	0.00	1,177.31	
601-22700	22700 Current Portion-Comp Abs	250.26	0.00	
601-22800	22800 Accrued Compensated Absences	500.51	0.00	
601-49400-101	101 Salaries	0.00	750.77	
<b>Total</b>		<b>9,990.35</b>	<b>9,990.35</b>	<b>(6,134.19)</b>



**29**

To zero out payroll withholding accounts.

750-21701	21701 Federal Withholding	0.00	93.26	
750-21702	21702 State Withholding	5,863.03	0.00	
750-21703	21703 Social Sec Tax Withholding	0.00	4,492.61	
750-21704	21704 PERA	0.00	4,693.53	
750-21706	21706 Hospitalization/Medical Ins	0.00	295.14	
750-21707	21707 Colonial Life	0.00	832.17	
750-21709	21709 Medicare	0.00	3,293.65	
750-21711	21711 Garnishment 1	456.02	0.00	
750-21712	21712 Garnishment 2	76.92	0.00	
750-21714	21714 IRA-EMPLOYEE	0.00	322.00	
750-21716	21716 HEALTH SAVINGS ACCOUNT	0.00	7,764.17	
750-21717	21717 Dental Insurance	0.00	3,318.38	
750-21718	21718 Minnesota Deferred Comp Plan	0.00	2,403.42	
750-21719	21719 LELS Union Dues	8.50	0.00	
750-21720	21720 Teamsters Union 346	439.50	0.00	
750-21721	21721 Flexible Spending Account	0.00	724.84	
750-21722	21722 Uniform Deduction	89.82	0.00	
750-10100	10100 CASH	21,299.38	0.00	
101-10100	10100 CASH	0.00	21,299.38	
101-41400-101	101 Salaries	21,299.38	0.00	
<b>Total</b>		<b><u>49,532.55</u></b>	<b><u>49,532.55</u></b>	<b><u>(21,299.38)</u></b>

**30**

CLIENT - POST AND REVERSE to record 2023 accrued CD interest for 4M CD's

101-10402	10402 CD #57993	3,605.00	0.00	
101-10403	10403 CD #34607	3,603.00	0.00	
101-10405	10405 CD #5496	806.00	0.00	
101-00000-36200	36200 Interest Earnings	0.00	8,014.00	
226-10402	10402 CD #57993	1,590.00	0.00	
226-10405	10405 CD #5496	559.00	0.00	
226-00000-36200	36200 Interest Earnings	0.00	2,149.00	
406-10403	10403 CD #34607	304.00	0.00	
406-10404	10404 CD #29147	1,786.00	0.00	
406-00000-36200	36200 Interest Earnings	0.00	2,090.00	
601-10402	10402 CD #57993	1,590.00	0.00	
601-10403	10403 CD #34607	475.00	0.00	
601-10405	10405 CD #5496	2,107.00	0.00	
601-10404	10404 CD #29147	1,580.00	0.00	
601-10406	10406 CD #19899	534.00	0.00	
601-10407	10407 CD# 34073	1,361.00	0.00	
601-00000-36200	36200 Interest Earnings	0.00	7,647.00	
602-10403	10403 CD #34607	2,163.00	0.00	
602-10405	10405 CD #5496	2,419.00	0.00	
602-10404	10404 CD #29147	1,769.00	0.00	
602-10406	10406 CD #19899	2,272.00	0.00	
602-10402	10402 CD #57993	869.00	0.00	
602-00000-36200	36200 Interest Earnings	0.00	9,492.00	
607-10405	10405 CD #5496	484.00	0.00	
607-00000-36200	36200 Interest Earnings	0.00	484.00	
609-10403	10403 CD #34607	1,143.00	0.00	
609-10405	10405 CD #5496	882.00	0.00	
609-10406	10406 CD #19899	534.00	0.00	
609-00000-36200	36200 Interest Earnings	0.00	2,559.00	
<b>Total</b>		<b><u>32,435.00</u></b>	<b><u>32,435.00</u></b>	<b><u>32,435.00</u></b>
<b>GRAND TOTAL</b>		<b><u>2,887,437.87</u></b>	<b><u>2,887,437.87</u></b>	<b><u>(183,173.98)</u></b>

## MANAGEMENT REPRESENTATION LETTER

July 29, 2024

CarlsonSV

This representation letter is provided in connection with your audit of the financial statements of City of Menahga, which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 29, 2024, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) There are no known related-party relationships or transactions that need to be accounted for or disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP
- 9) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
- 10) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

**Government-specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements include all fiduciary activities required by GASBS No. 84.
- 33) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following *GASB Statement No. 54, paragraph 18*, to determine the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the combining statements
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_