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Lighting the path forward

City of Maple Plain

2022 Financial Statement Audit

Audit Results

Auditor's Opinion

Unmodified Opinion

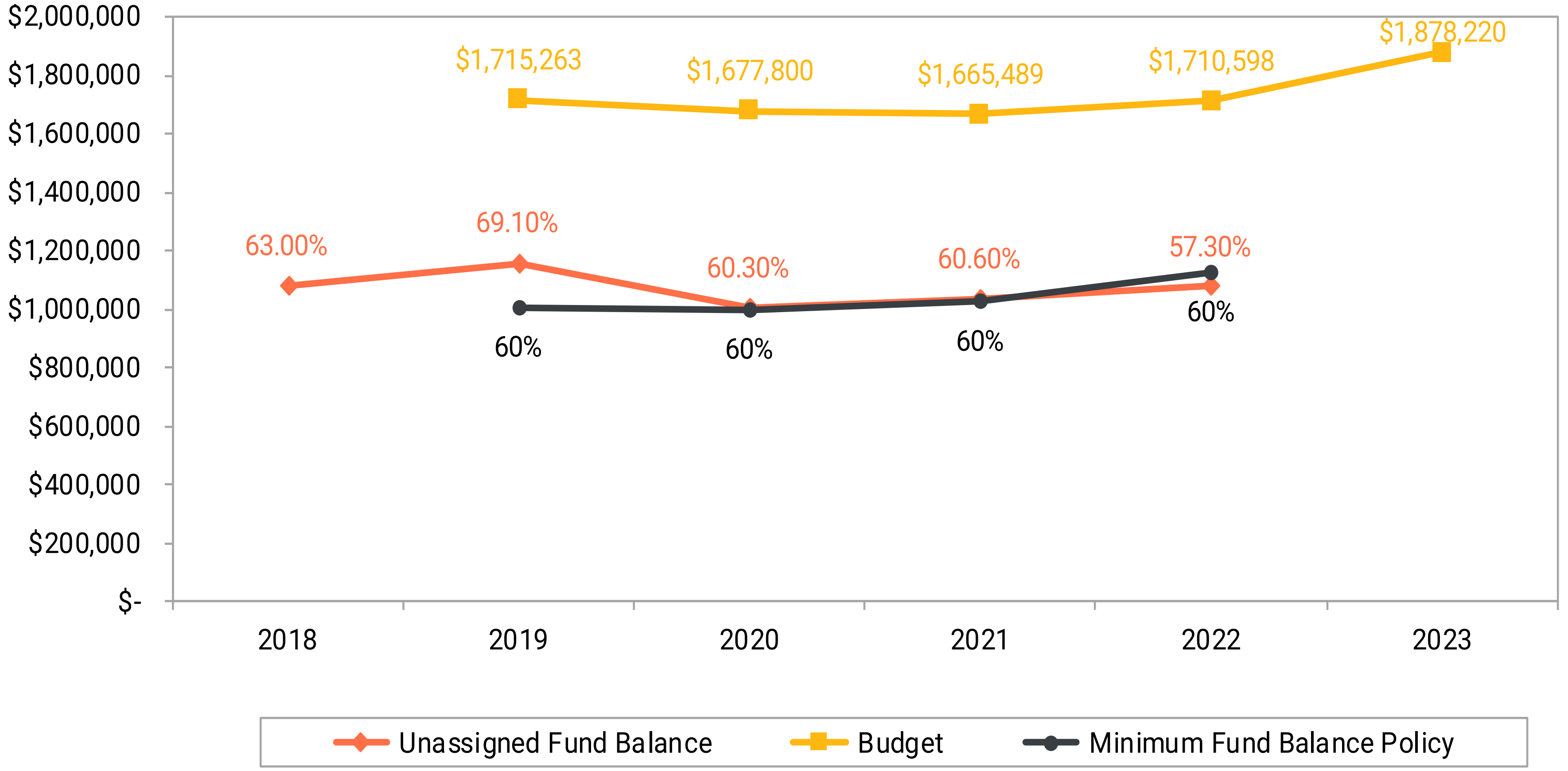
Minnesota Legal Compliance

No instances of noncompliance noted.

Audit Results
2022 Audit Findings

- Preparation of Financial Statements
  - Internal Control Finding
- Limited Segregation of Duties
  - Internal Control Finding

General Fund Fund Balances



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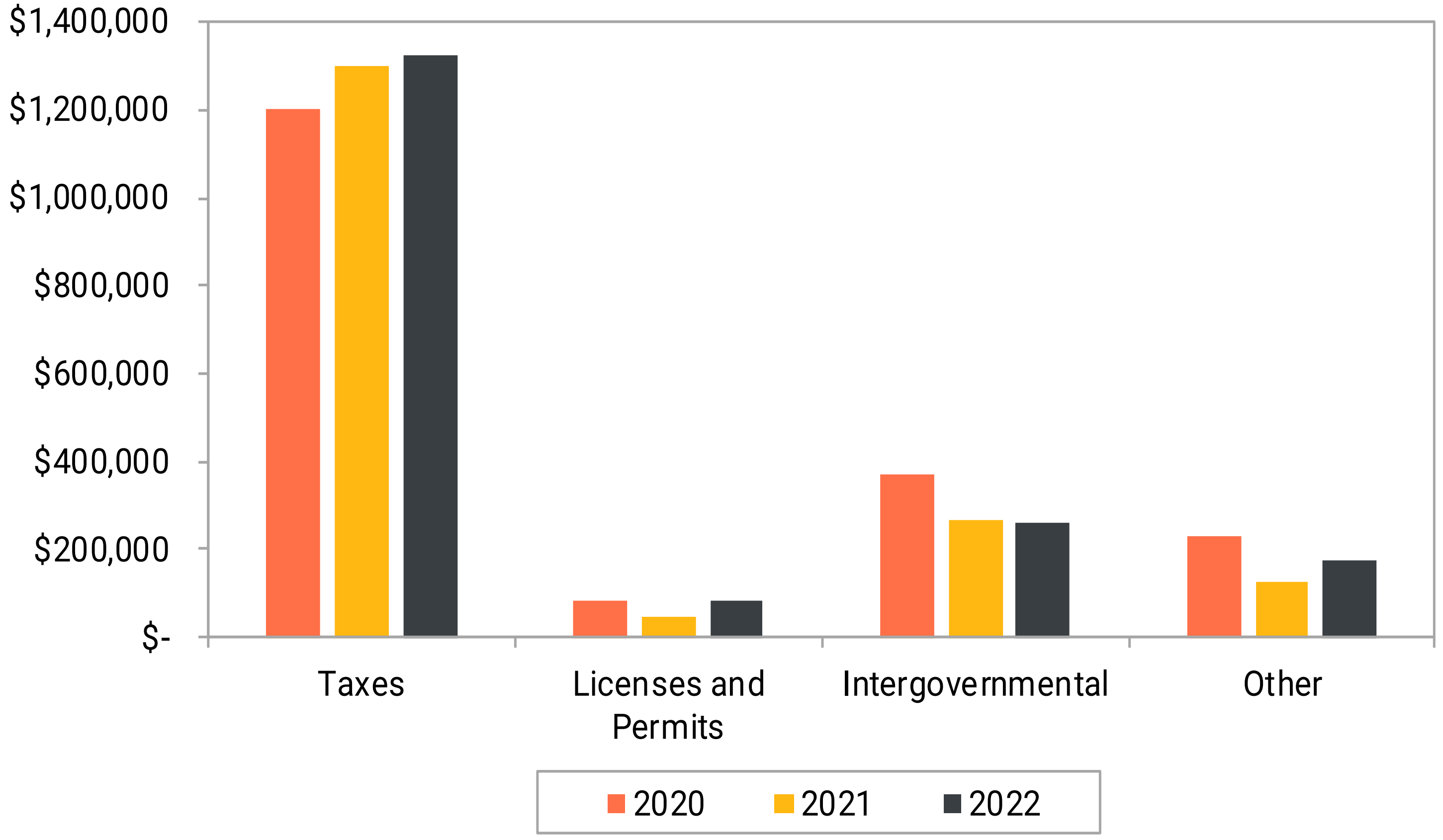
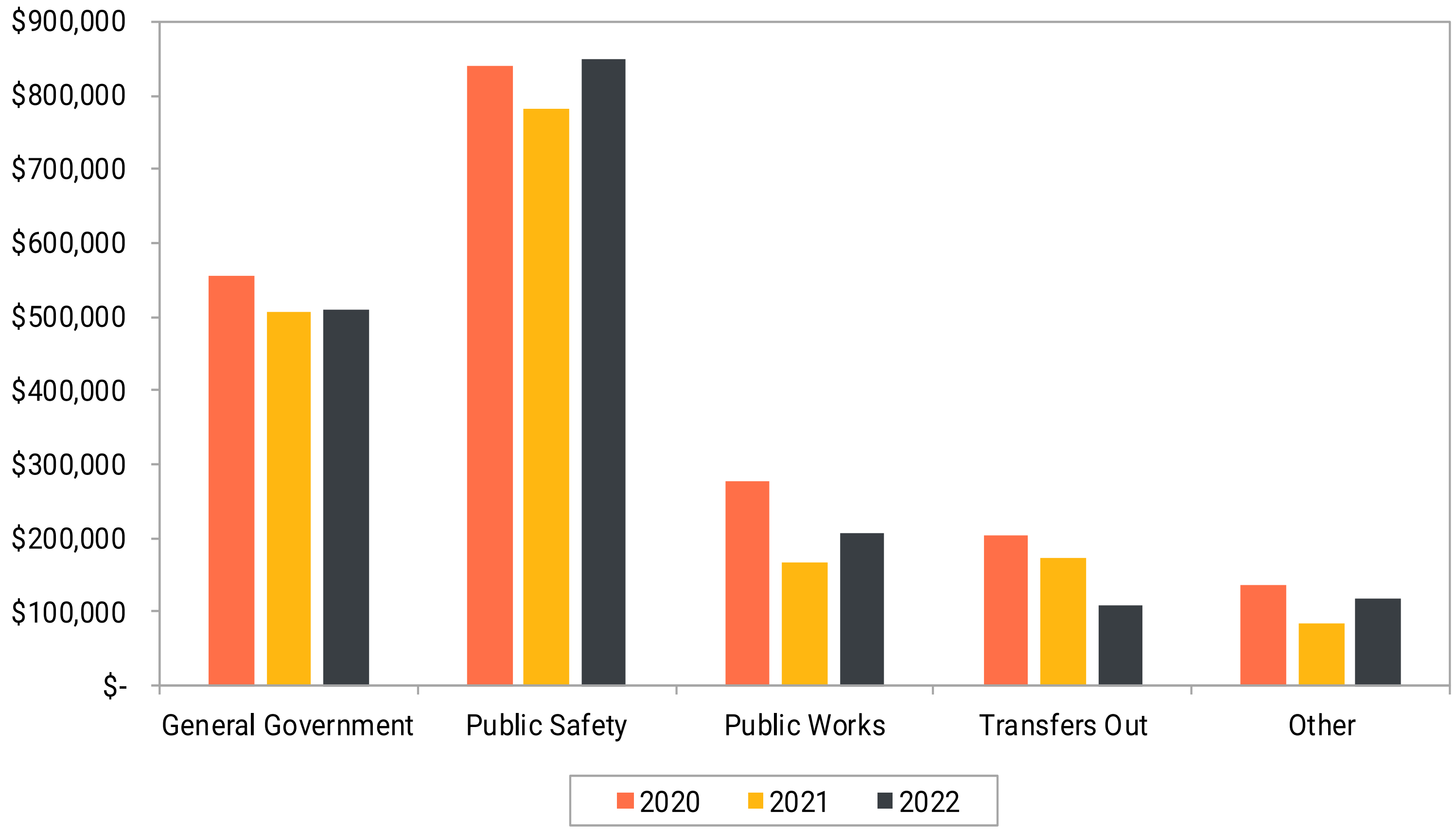
General Fund Budget to Actual

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 1,710,598	$ 1,848,148	$ 137,550
Expenditures	1,575,698	1,688,760	(113,062)
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,900	159,388	24,488
Other Financing Sources (Uses)			
Transfers out	(134,900)	(110,000)	24,900
Net Change in Fund Balances	-	49,388	49,388
Fund Balances, January 1	1,121,784	1,121,784	-
Fund Balances, December 31	$ 1,121,784	$ 1,171,172	$ 49,388

General Fund Revenues by Type

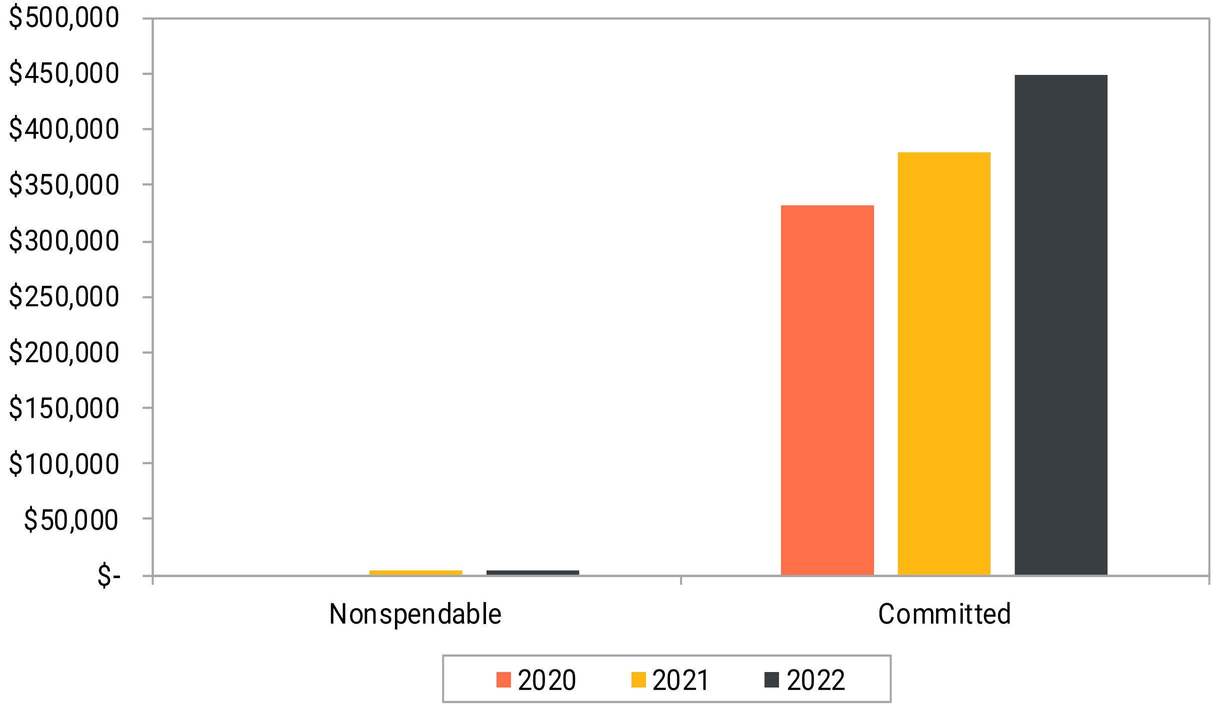


General Fund Expenditures by Type



Special Revenue Fund Balances

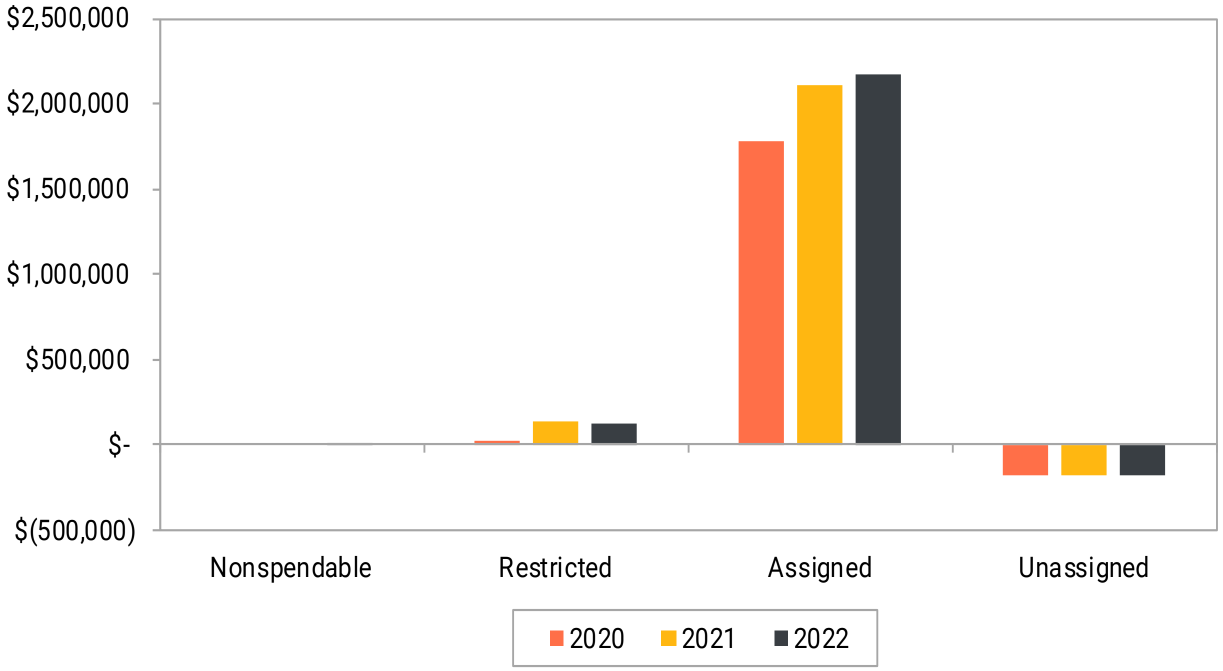
Fund		Fund Balances December 31, 2022	Fund Balances December 31, 2021	Increase (Decrease)
Major				
Fire Partnership		$ 369,306	$ 292,694	$ 76,612
Nonmajor				
American Rescue Fund	$231,023 unspent funds	-	-	-
Economic Development		84,449	89,924	(5,475)
Total		$ 453,755	$ 382,618	$ 71,137



Capital Projects Fund Balances

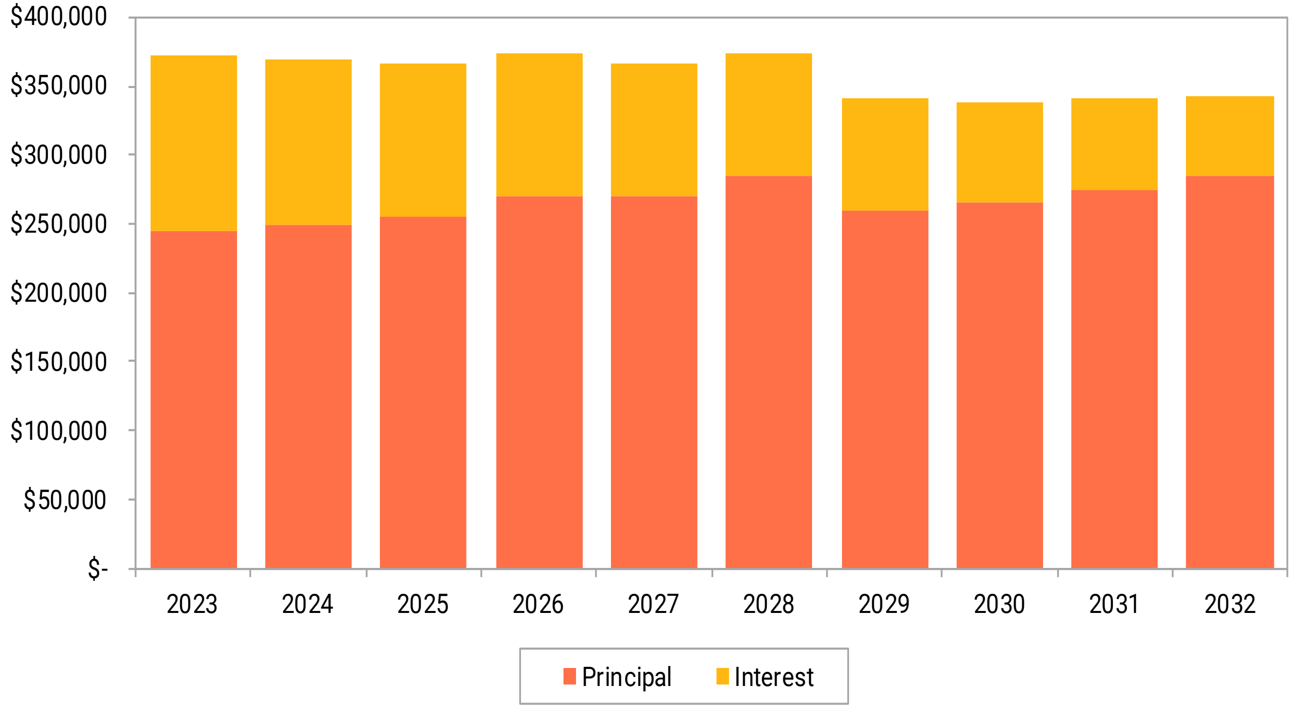
Fund	Fund Balances December 31, 2022	2021	Increase (Decrease)
Major			
Capital Project	$ 2,200,132	$ 2,125,544	$ 74,588
2022 Street Project	71,884	-	71,884
Nonmajor			
Downtown Development [(1)]	(179,729)	(179,729)	-
2021 Street Reconstruction	34,143	120,689	(86,546)
Total	$ 2,126,430	$ 2,066,504	$ 59,926

(1) The Downtown Development fund has had a negative cash balance for several years. We recommend the City establish a plan during 2023 to fund the deficit.



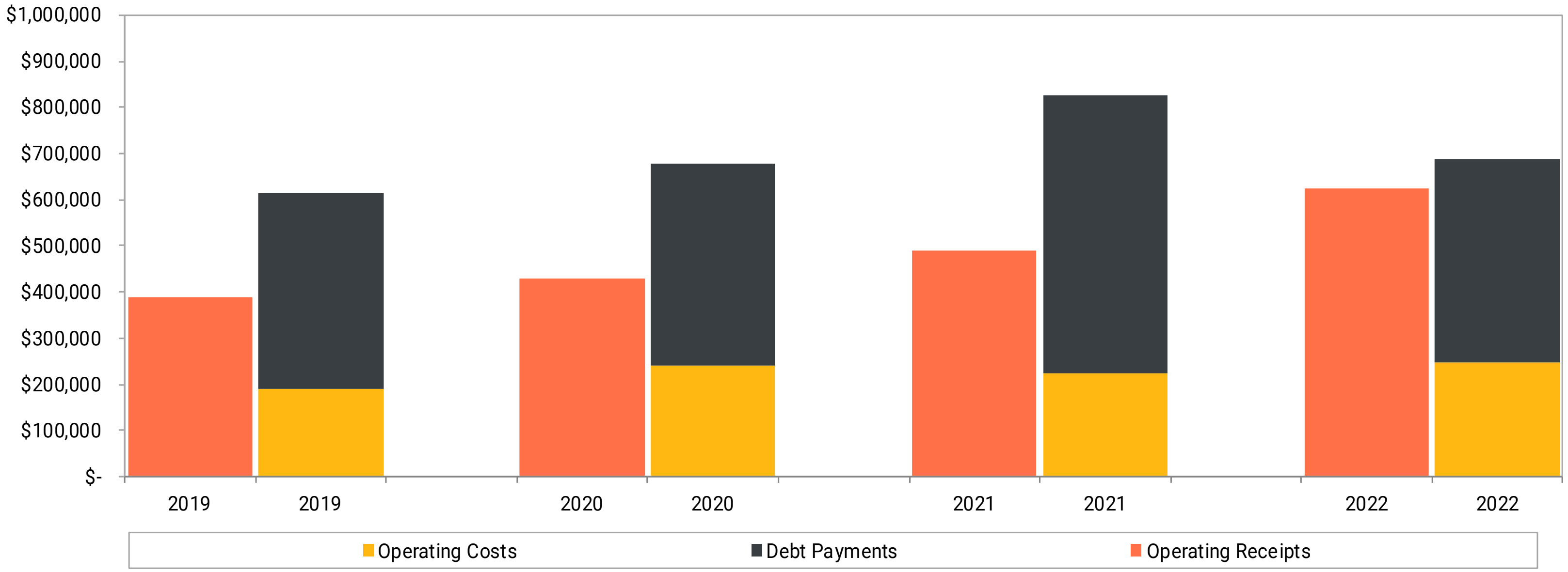
Debt Service Funds

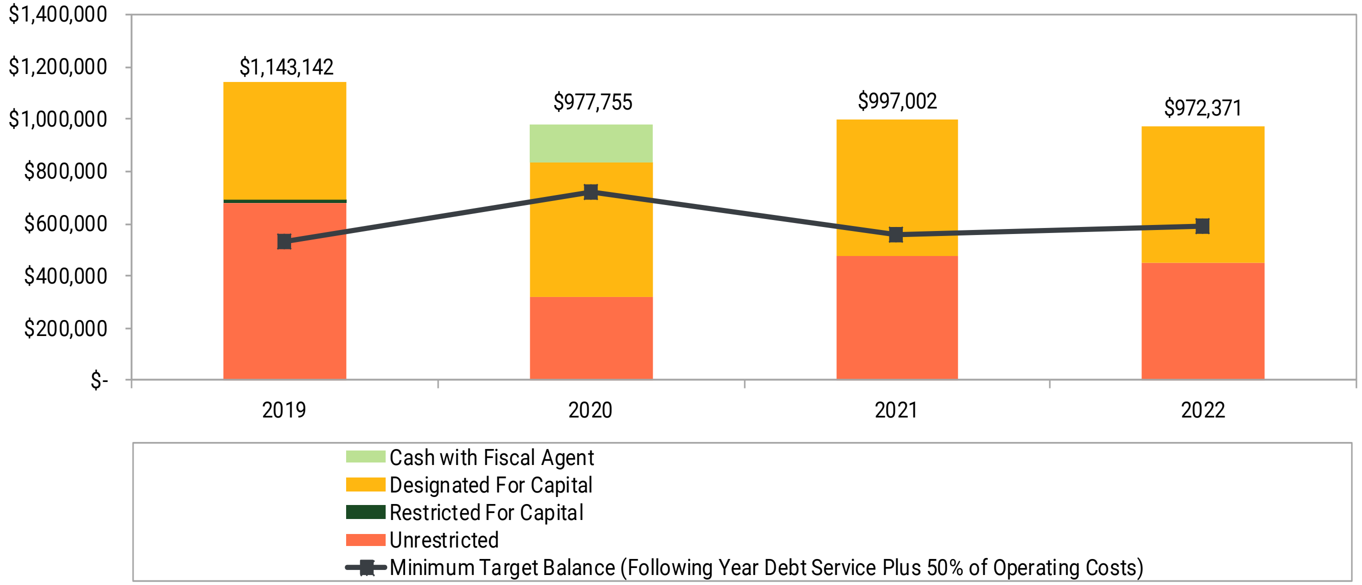
Debt Description	Maturity Date	December 31, 2022 Total Cash	December 31, 2022 Total Assets	December 31, 2022 Remaining Bonds
Major				
2014A G.O. Bonds	2/1/35	$ 213,400	$ 315,786	$ 1,060,000
2016A G.O. Bonds	2/1/37	92,912	177,013	560,000
2018A G.O. Bonds	2/1/39	128,515	296,261	895,000
2021A G.O. Bonds	2/1/42	205,420	392,123	970,000
2021B G.O Bonds	2/1/28	75,296	84,223	135,000
2021B G.O Bonds	2/1/28	40,462	40,462	40,000
2022A G.O. Bonds	2/1/38	16,244	16,244	815,000
Total		$ 772,249	$ 1,322,112	$ 4,475,000
			Total Remaining Interest Payments	$ 1,105,086



Water Fund

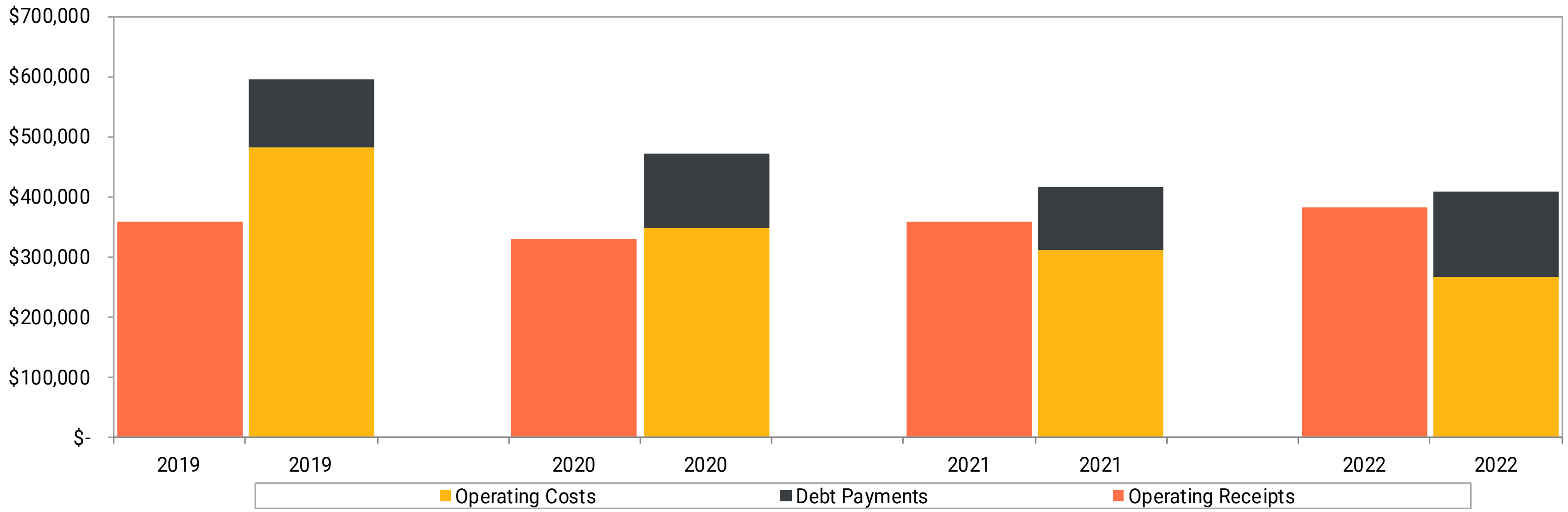
Cash Flows from Operations and Cash Balances

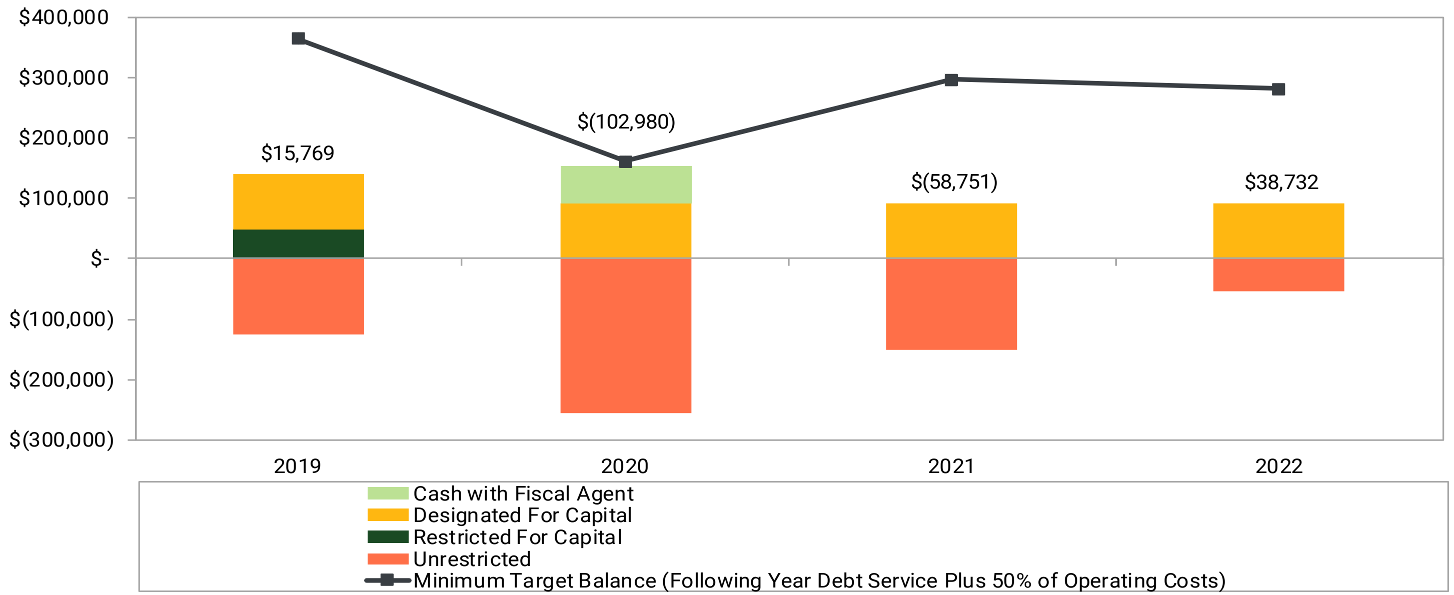




Sewer Fund

Cash Flows from Operations and Cash Balances





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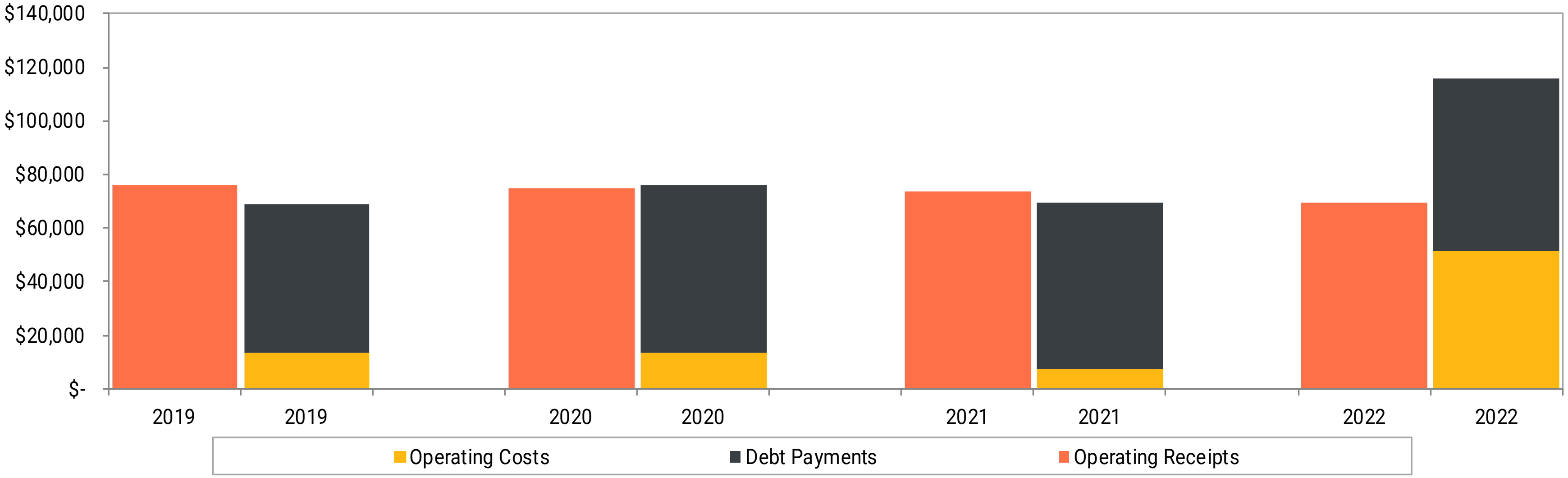
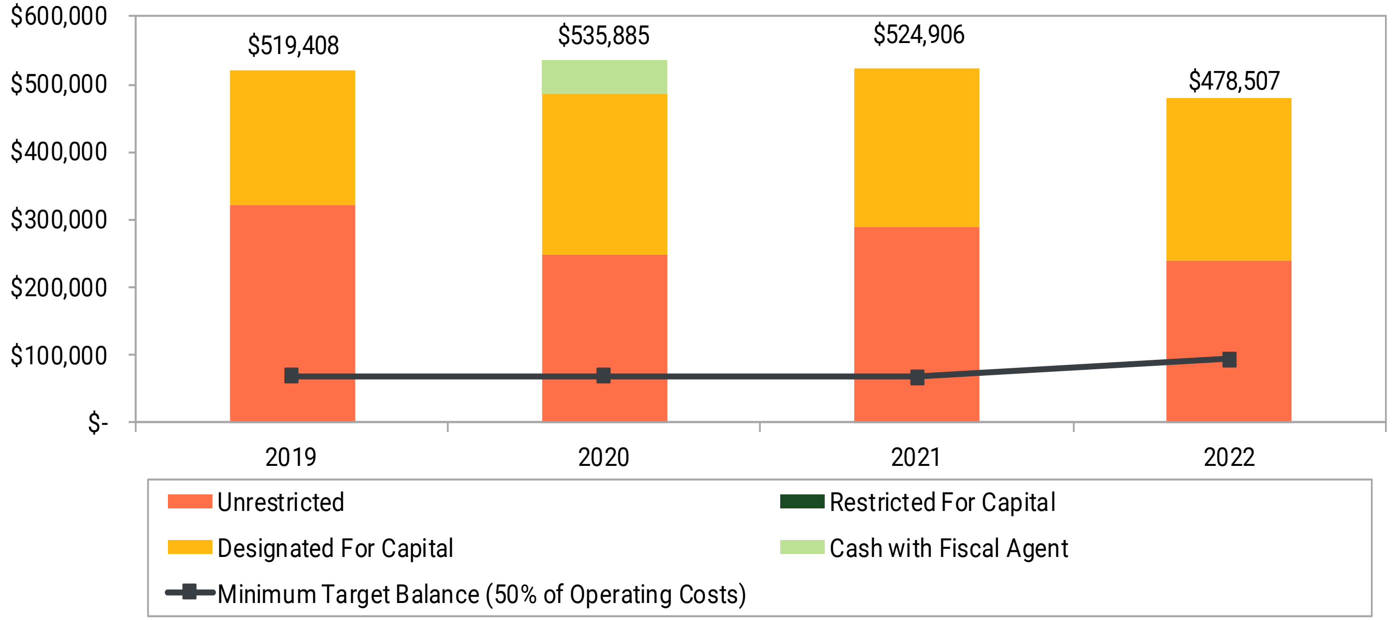
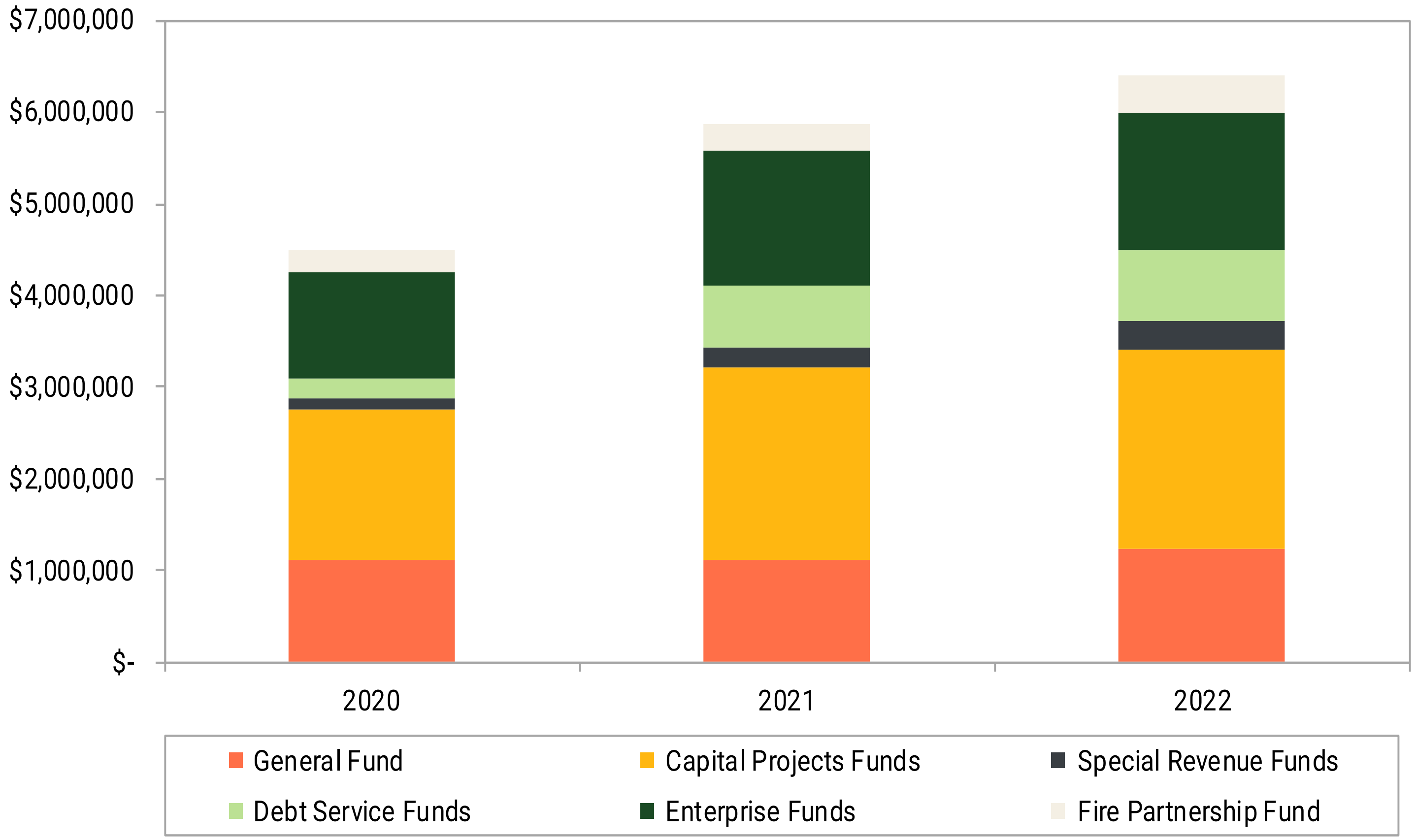
Storm Water Fund

Cash Flows from Operations and Cash Balances



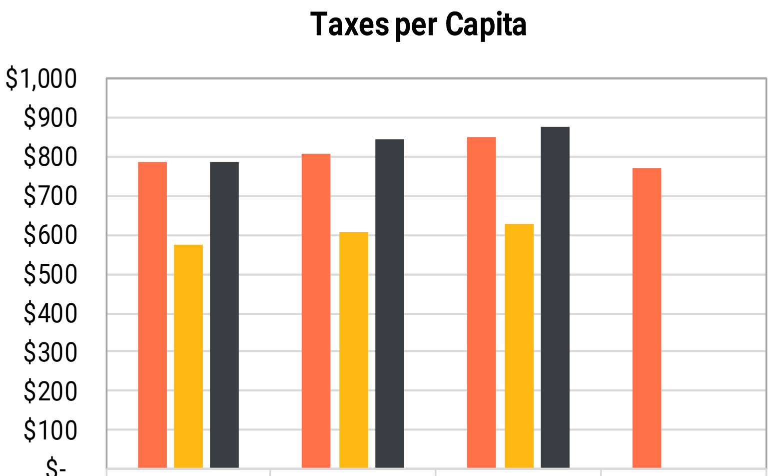


Cash and Investments Balances by Fund Type



Taxes
Key Performance Indicators

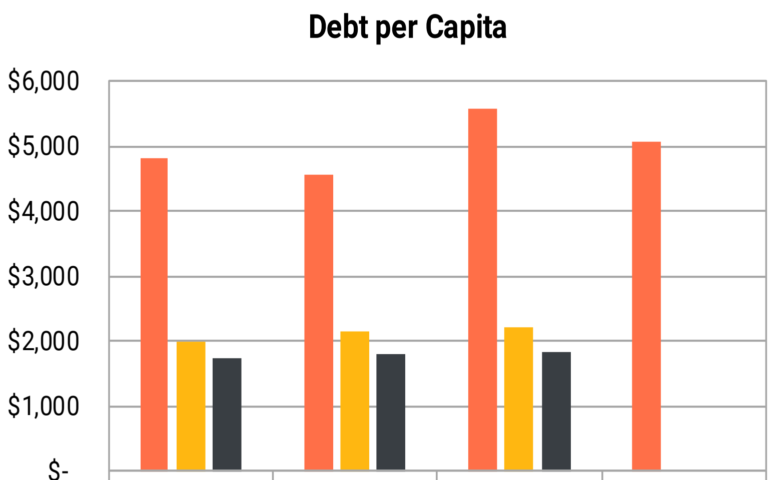
	2019	2020	2021	2022
City of Maple Plain	63.2%	58.6%	53.7%	54.7%
Class 4 Cities	58.1%	58.8%	57.6%	
Cities in Hennepin County	41.5%	41.5%	40.1%	



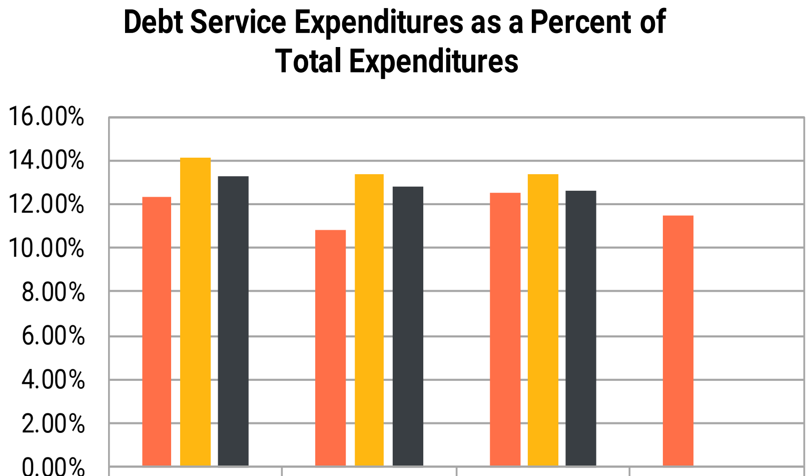
	2019	2020	2021	2022
City of Maple Plain	$786	$811	$850	$770
Class 4 Cities	$574	$606	$630	
Cities in Hennepin County	$785	$847	$878	

Debt

Key Performance Indicators



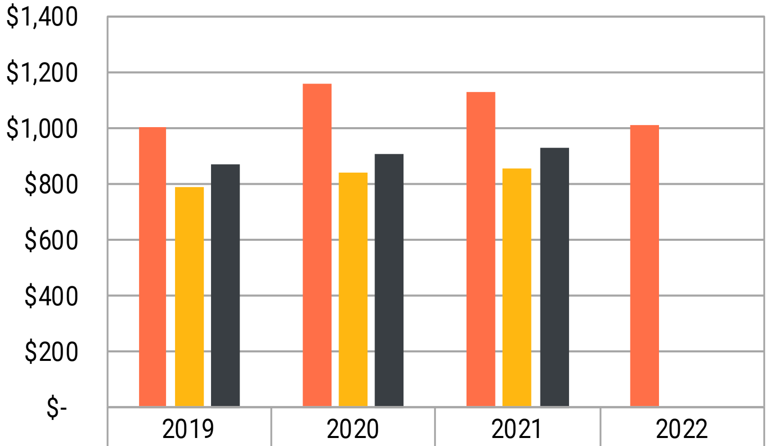
	2019	2020	2021	2022
City of Maple Plain	$4,835	$4,579	$5,577	$5,066
Class 4 Cities	$2,005	$2,150	$2,198	
Cities in Hennepin County	$1,751	$1,803	$1,817	



	2019	2020	2021	2022
City of Maple Plain	12.33%	10.81%	12.50%	11.50%
Class 4 Cities	14.16%	13.39%	13.38%	
Cities in Hennepin County	13.23%	12.80%	12.62%	

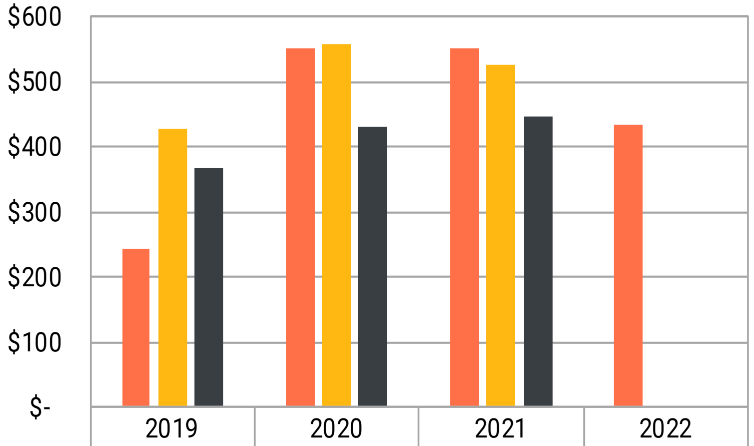
Expenditures
Key Performance Indicators

Current Expenditure per Capita



	2019	2020	2021	2022
City of Maple Plain	$1,006	$1,165	$1,130	$1,011
Class 4 Cities	$791	$839	$856	
Cities in Hennepin County	$872	$913	$929	

Capital Expenditure per Capita



	2019	2020	2021	2022
City of Maple Plain	$243	$552	$552	$435
Class 4 Cities	$426	$558	$527	
Cities in Hennepin County	$369	$430	$447	

Your Abdo Team

Andy Berg, CPA

Partner

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Bonnie Schwieger, CPA

Senior Manager

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John Stachel

Associate

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Jill Knutson

Associate

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Jason Fagan

Intern

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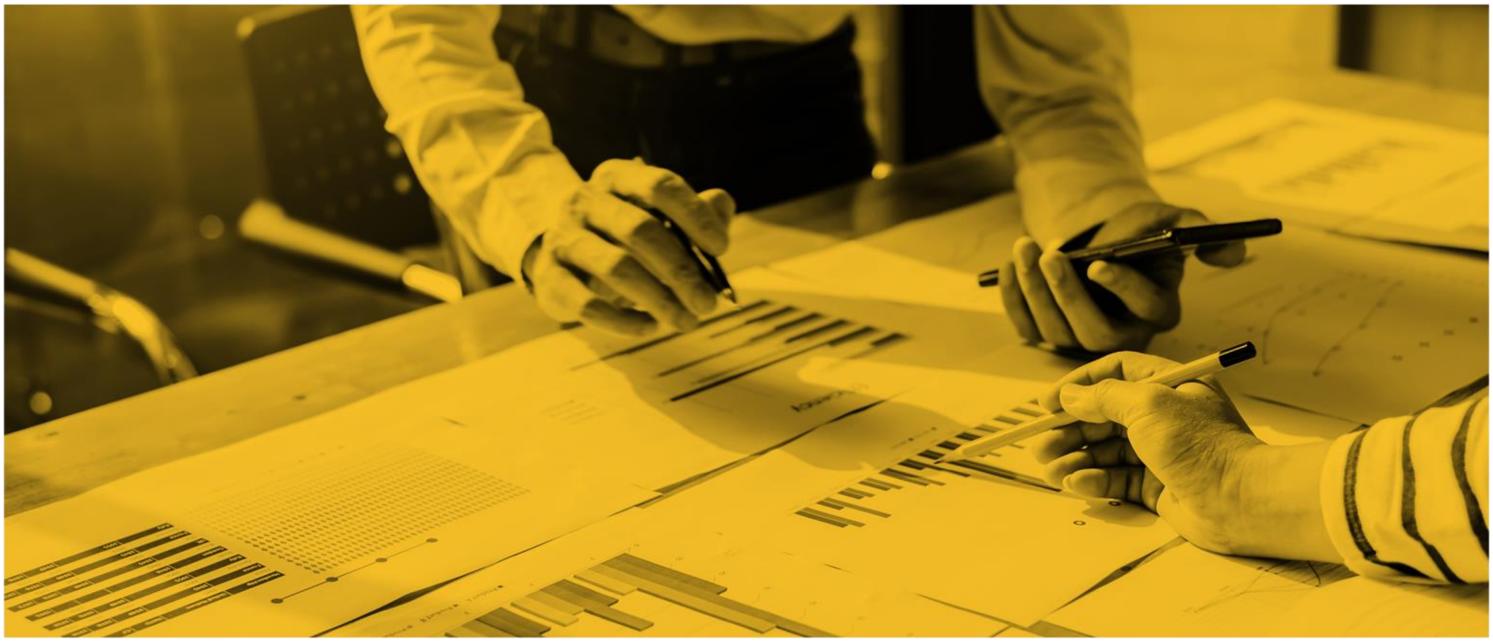

Annual Financial Report

City of Maple Plain

Maple Plain, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

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City of Maple Plain, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2022

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INTRODUCTORY SECTION

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Maple Plain, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

Name	Title	Term Expires
Julie Maas-Kusske	Mayor	12/31/24
Michael DeLuca	Council Member	12/31/24
John Fay	Council Member	12/31/24
Caitlin Cahill	Council Member	12/31/22
Connie Francis	Council Member	12/31/22

APPOINTED

Clarissa Hadler	City Administrator	

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FINANCIAL SECTION

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Maple Plain, Minnesota

Report on Financial Statements

Opinion

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, Notes to the Required Information and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 82 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Minneapolis, Minnesota
May 25, 2023

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Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The main increase was due to an increase in charges for services and capital grants in the business-type activities.

- As of the close of the current fiscal year, the City's governmental funds reported an increased combined ending fund balance in comparison with the prior year. The increase can be attributed to unspent bond proceeds and revenues in excess of budget.

- At the end of the current fiscal year, unassigned fund balance for the General fund increased over the prior year. The increase is due to revenues in excess of budget.

- The City's total outstanding debt increased during the current fiscal year. This is mainly due to bonds issued for capital projects.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

Figure 1
Required Components of the
City's Annual Financial Report

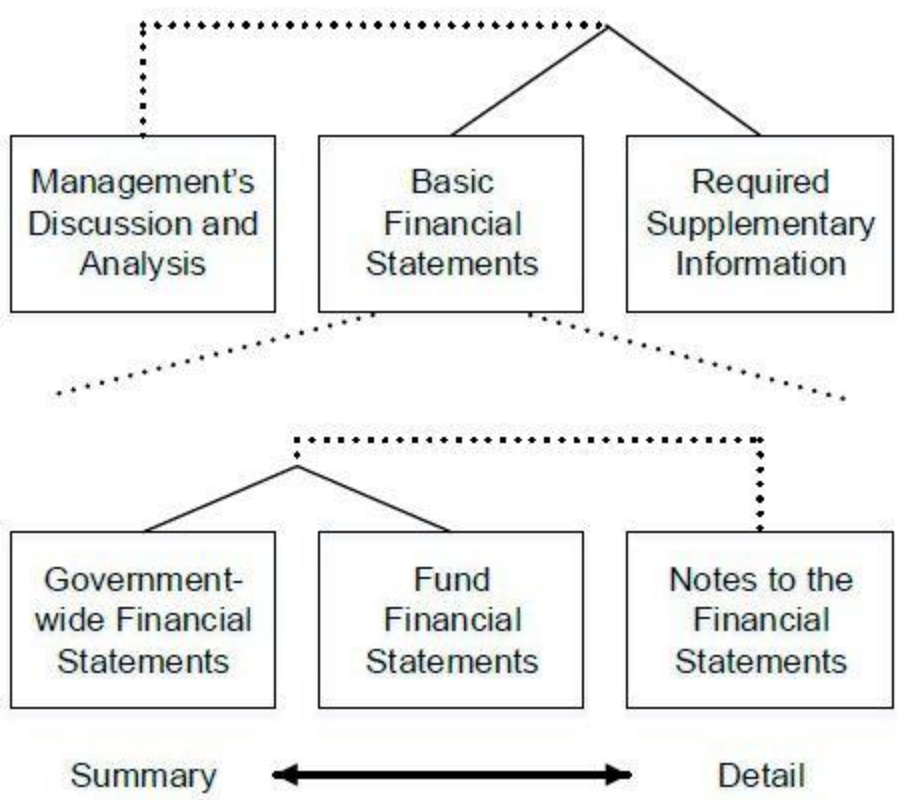


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Positions • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Positions • Statements of Revenues, Expenses and Changes in Fund Net Positions • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements start on page 31 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 the following categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 numerous individual governmental funds, seven of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Fire Partnership, Capital Project, 2022 Street Project and the Debt Service funds, which are considered to be major funds. Data from the other 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 or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary funds. *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, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 46 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 51 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Maple Plain's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 82 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 88 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 exceeded liabilities and deferred inflows at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are 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.

City of Maple Plain's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	$ 6,765,859	$ 5,601,675	$ 1,164,184	$ 2,364,897	$ 2,373,868	$ (8,971)
Capital assets	8,216,899	7,622,812	594,087	8,952,599	8,769,357	183,242
Total Assets	14,982,758	13,224,487	1,758,271	11,317,496	11,143,225	174,271
Deferred Outflows of Resources	172,537	141,068	31,469	-	-	-
Liabilities						
Noncurrent liabilities	4,821,817	3,955,189	866,628	5,846,023	5,827,609	18,414
Other liabilities	759,514	584,547	174,967	120,095	121,396	(1,301)
Total Liabilities	5,581,331	4,539,736	1,041,595	5,966,118	5,949,005	17,113
Deferred Inflows of Resources	1,003,264	344,502	658,762	-	-	-
Net Position						
Net investment in capital assets	3,691,695	3,871,332	(179,637)	3,318,706	3,087,167	231,539
Restricted	1,266,822	1,254,850	11,972	-	-	-
Unrestricted	3,612,183	3,355,135	257,048	2,032,672	2,107,053	(74,381)
Total Net Position	$ 8,570,700	$ 8,481,317	$ 89,383	$ 5,351,378	$ 5,194,220	$ 157,158

The remaining unrestricted balance may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The City's net position increased during the current fiscal year.

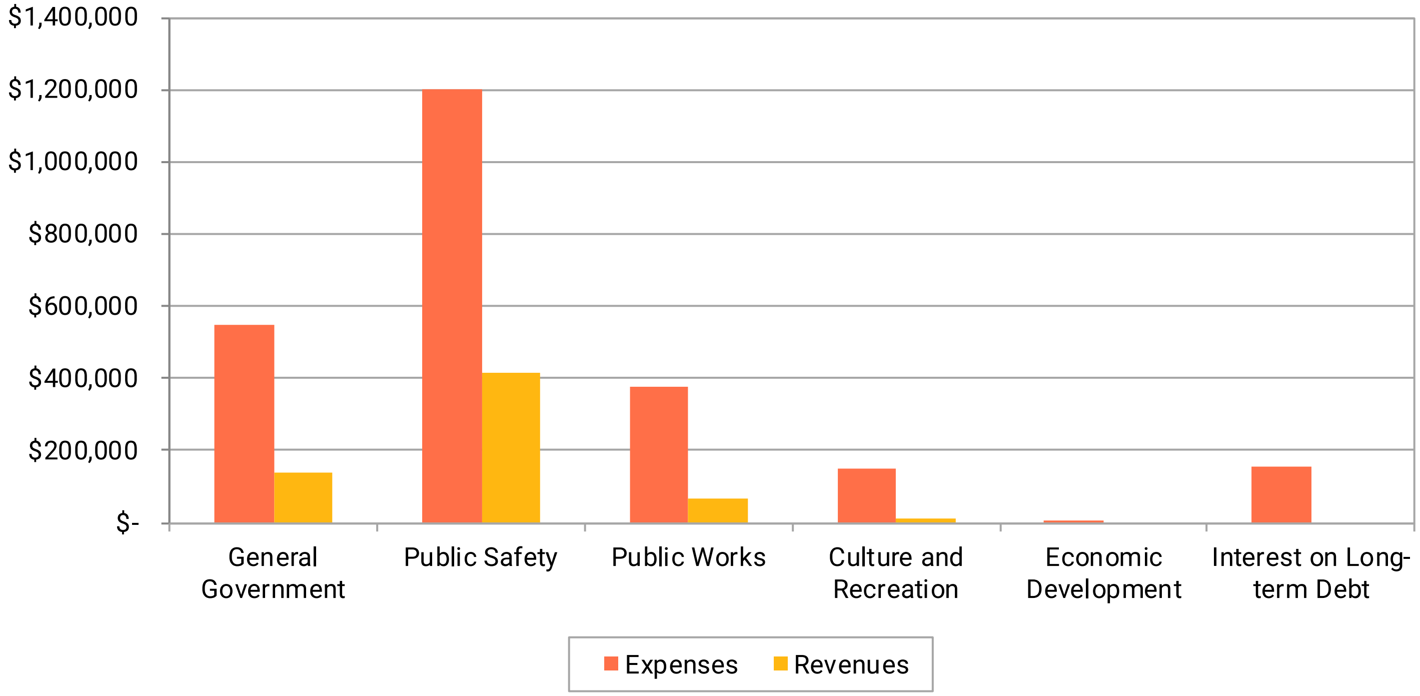
Governmental Activities. Governmental activities increased the City's net position during the year. The statement of activities starts on page 32. Key elements of these changes are as follows:

City of Maple Plain's Changes in Net Position

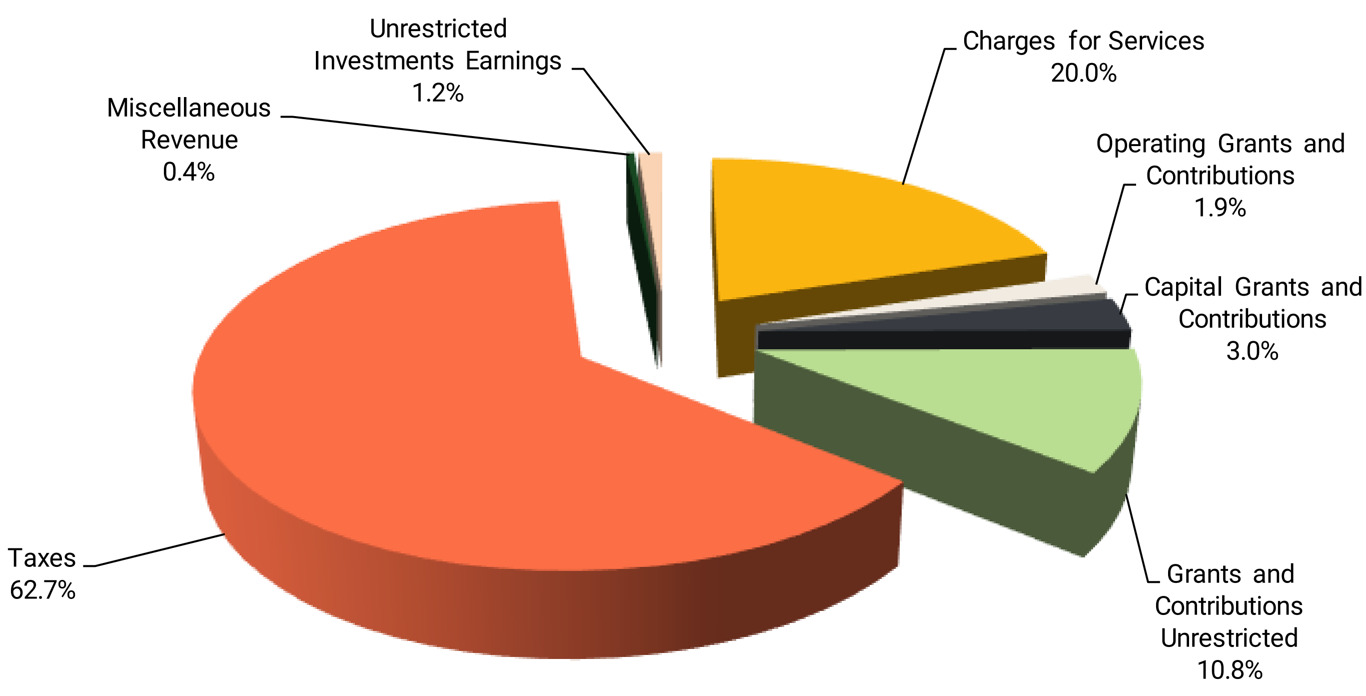
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 504,165	$ 368,916	$ 135,249	$ 1,078,632	$ 899,352	$ 179,280
Operating grants and contributions	47,658	97,810	(50,152)	-	-	-
Capital grants and contributions	75,633	402,010	(326,377)	105,070	377,612	(272,542)
General Revenues						
Taxes	1,579,194	1,482,421	96,773	-	-	-
Grants and contributions not restricted to specific programs	271,505	266,600	4,905	-	-	-
Unrestricted investment earnings	30,533	9,060	21,473	12,190	4,276	7,914
Miscellaneous revenue	10,294	-	10,294	-	-	-
Gain on sale of capital assets	-	11,295	(11,295)	-	-	-
Total Revenues	2,518,982	2,638,112	(119,130)	1,195,892	1,281,240	(85,348)
Expenses						
General government	546,423	450,101	96,322	-	-	-
Public safety	1,198,840	1,007,818	191,022	-	-	-
Public works	376,379	430,289	(53,910)	-	-	-
Culture and recreation	148,609	46,244	102,365	-	-	-
Economic development	6,066	30,252	(24,186)	-	-	-
Interest on long-term debt	153,282	149,395	3,887	-	-	-
Water	-	-	-	560,751	551,765	8,986
Sewer	-	-	-	367,819	450,146	(82,327)
Storm sewer	-	-	-	110,164	84,283	25,881
Total Expenses	2,429,599	2,114,099	315,500	1,038,734	1,086,194	(47,460)
Increase (Decrease) in Net Position before Transfers	89,383	524,013	(434,630)	157,158	195,046	(37,888)
Transfers	-	708,400	(708,400)	-	(708,400)	708,400
Change in Net Position	89,383	1,232,413	(1,143,030)	157,158	(513,354)	670,512
Net Position, January 1	8,481,317	7,248,904	1,232,413	5,194,220	5,707,574	(513,354)
Net Position, December 31	$ 8,570,700	$ 8,481,317	$ 89,383	$ 5,351,378	$ 5,194,220	$ 157,158

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

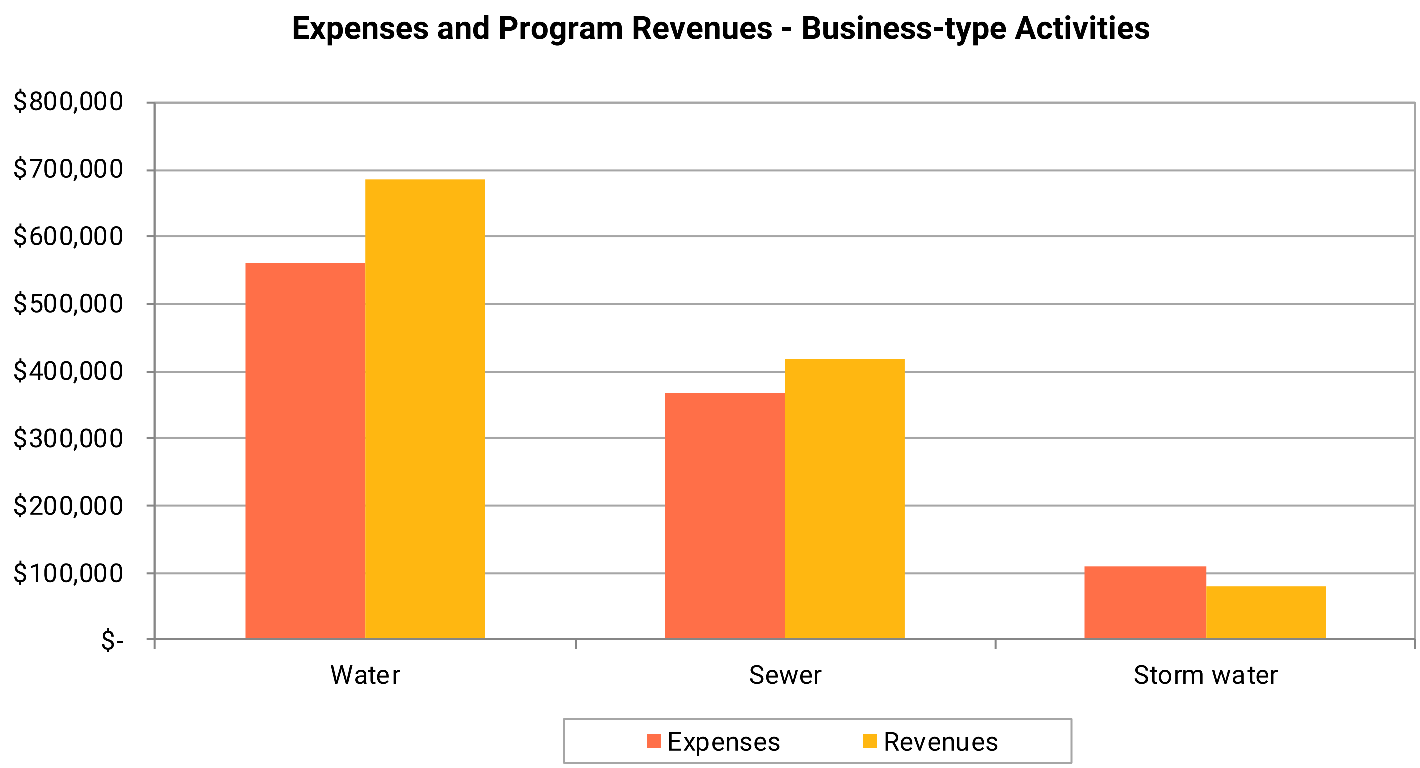
Expenses and Program Revenues - Governmental Activities

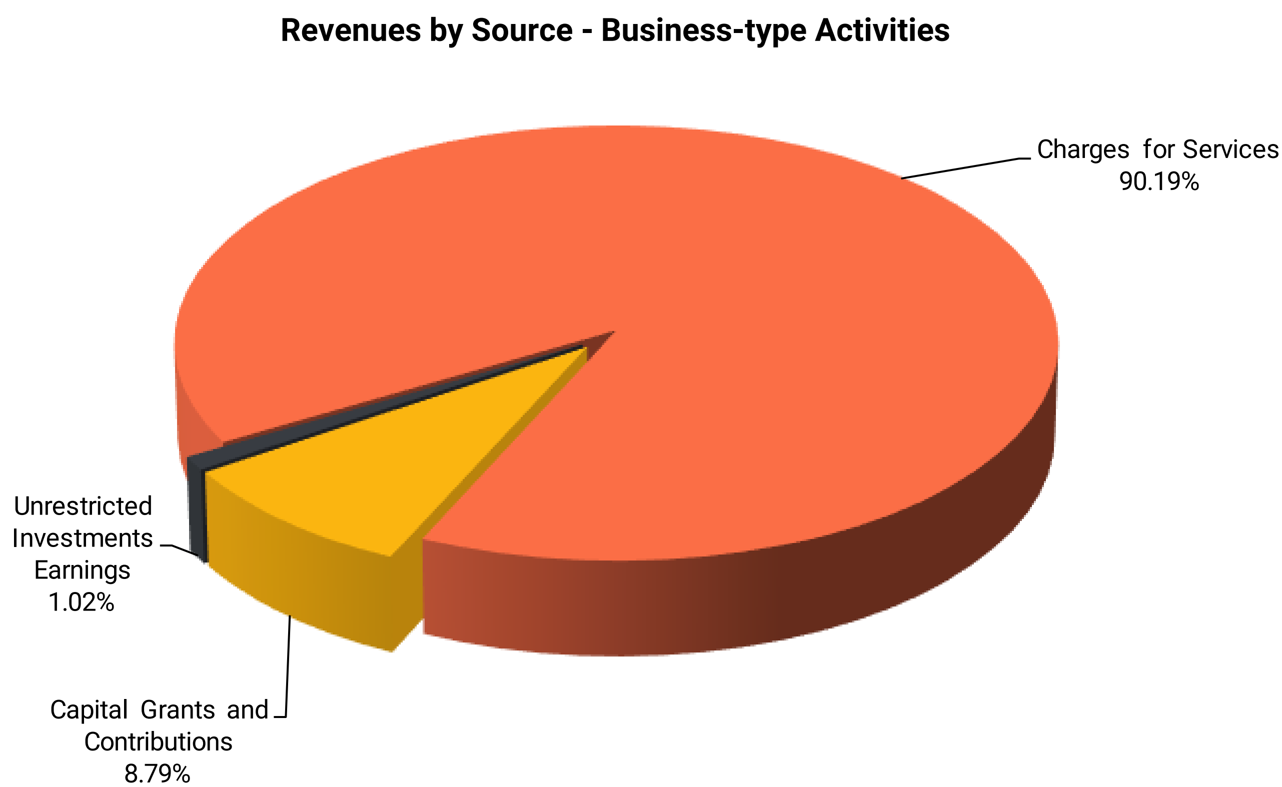


Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position during the year. Key elements of this decrease are as follows:





Financial Analysis of the Government's Funds

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 balance* may serve as a useful measure of a government'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 an increased combined ending fund balance. This includes unassigned funds. The remainder of fund balance is not available for new spending because it is either 1) nonspendable, 2) restricted, 3) committed, or 4) assigned, for the purposes described in the notes to the financial statements.

The General fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General fund increased during the year. As a measure of the General fund's liquidity, it may be useful to compare total unassigned fund balance to the following years' budgeted expenditures.

The fund balance of the City's General fund increased during the current fiscal year. The increase was a result of revenues in excess of budget.

The Fire Partnership fund increased from the prior year. The main reason for the increase was a planned budgeted increase for future capital.

The Capital Project fund increased from the prior year. The key factor of this increase was the result of transfers in from the General fund.

The 2022 Street project increased from the prior year due to unspent bond proceeds.

The Debt Service fund increased from the prior year. The increase was a result of taxes and assessments collected for debt service over required payments.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year increased. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget called for no change in fund balance, but actual amounts for 2022 resulted in an increase in fund balance.

Overall, revenues were over budget with chargers for service and licenses/permits the largest sources over budget.

Expenditures were also over budget. The public works department had the highest variance.

Fire Partnership Budgetary Highlights

The Fire Partnership budget called for an increase in fund balance, but actual amounts for 2022 resulted in an increase in fund balance higher than budgeted. This increase can be attributed to revenues in excess of budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2022 increased, (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads and other infrastructure.

Additional information on the City's capital assets can be found in Note 3B starting on page 62 of this report.

City of Maple Plain's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	$ 2,190,661	$ 2,190,661	$ -	$ -	$ -	$ -
Construction in Progress	-	817,834	(817,834)	17,998	909,340	(891,342)
Buildings and Structures	6,715	7,587	(872)	-	-	-
Improvements other than Buildings	883,475	938,278	(54,803)	-	-	-
Machinery and Equipment	540,292	682,822	(142,530)	12,588	18,515	(5,927)
Infrastructure	4,490,463	2,985,630	1,504,833	8,922,013	7,841,502	1,080,511
Leased Building (Intangible Right to Use Asset)	105,293	-	105,293	-	-	-
Total	$ 8,216,899	$ 7,622,812	$ 594,087	$ 8,952,599	$ 8,769,357	$ 183,242

Long-term Debt. At the end of the current fiscal year, the City had outstanding G.O. Revenue bonds and G.O. Special Assessment bonds.

Additional information on the City's long-term debt can be found in Note 3E starting on page 64 of this report.

City of Maple Plain's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Lease Payable	$ 107,445	$ -	$ 107,445	$ -	$ -	$ -
G.O. Special Assessment Bonds	4,475,000	3,860,000	615,000	-	-	-
G.O. Revenue Bonds	-	-	-	5,718,000	5,707,000	11,000
Unamortized Premium	70,157	33,540	-	128,023	120,609	-
Total	$ 4,652,602	$ 3,893,540	$ 722,445	$ 5,846,023	$ 5,827,609	$ 11,000

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City's applicable outstanding debt at year end is well below the statutory limit.

Economic Factors and Next Year's Budgets and Rates

The 2023 work plan includes;

- Additional updates to reporting tools and quarterly financial reviews.
- Continued updates to the CIP.
- Fine-tuning and updating the Long-Term Financial Plan.
- Updating the 2022 Utility Rate Study to determine 2023 rate increase.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Maple Plain, 5050 Independence Street, Maple Plain, MN 55359.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Maple Plain, Minnesota
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	$ 4,915,245	$ 1,489,610	$ 6,404,855
Receivables			
Delinquent taxes	26,142	-	26,142
Accounts	500	259,070	259,570
Lease	780,703	-	780,703
Special assessments	584,636	559,921	1,144,557
Prepaids	80,939	23,547	104,486
Inventories	-	32,749	32,749
Net pension asset	377,694	-	377,694
Capital assets			
Nondepreciable	2,190,661	17,998	2,208,659
Depreciable assets, net of accumulated depreciation/amortization	6,026,238	8,934,601	14,960,839
Total Assets	14,982,758	11,317,496	26,300,254
Deferred Outflows of Resources			
Deferred pension resources	172,537	-	172,537
Liabilities			
Accounts payable	196,215	50,405	246,620
Accrued salaries payable	48,964	-	48,964
Due to other governments	2,404	664	3,068
Unearned revenue	248,573	-	248,573
Accrued interest payable	55,290	69,026	124,316
Investment in joint venture deficit	208,068	-	208,068
Noncurrent liabilities			
Due within one year			
Long-term liabilities	292,201	524,327	816,528
Due in more than one year			
Long-term liabilities	4,371,215	5,321,696	9,692,911
Net pension liability	158,401	-	158,401
Total Liabilities	5,581,331	5,966,118	11,547,449
Deferred Inflows of Resources			
Deferred lease resources	762,725	-	762,725
Deferred pension resources	240,539	-	240,539
Total Deferred Inflows of Resources	1,003,264	-	1,003,264
Net Position			
Net investment in capital assets	3,691,695	3,318,706	7,010,401
Restricted:			
Debt service	1,266,822	-	1,266,822
Unrestricted	3,612,183	2,032,672	5,644,855
Total Net Position	$ 8,570,700	$ 5,351,378	$ 13,922,078

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota

Statement of Activities

For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 546,423	$ 133,608	$ 2,419	$ -
Public safety	1,198,840	368,557	45,239	-
Public works	376,379	-	-	65,633
Culture and recreation	148,609	2,000	-	10,000
Economic development	6,066	-	-	-
Interest on long-term debt	153,282	-	-	-
Total Governmental Activities	2,429,599	504,165	47,658	75,633
Business-type Activities				
Water	560,751	618,040	-	67,244
Sewer	367,819	393,164	-	24,739
Storm water	110,164	67,428	-	13,087
Total Business-type Activities	1,038,734	1,078,632	-	105,070
Total	$ 3,468,333	$ 1,582,797	$ 47,658	$ 180,703

General Revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous revenue
Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (410,396)	$ -	$ (410,396)
(785,044)	-	(785,044)
(310,746)	-	(310,746)
(136,609)	-	(136,609)
(6,066)	-	(6,066)
(153,282)	-	(153,282)
(1,802,143)	-	(1,802,143)
-	124,533	124,533
-	50,084	50,084
-	(29,649)	(29,649)
-	144,968	144,968
(1,802,143)	144,968	(1,657,175)
1,309,057	-	1,309,057
256,815	-	256,815
13,322	-	13,322
271,505	-	271,505
30,533	12,190	42,723
10,294	-	10,294
1,891,526	12,190	1,903,716
89,383	157,158	246,541
8,481,317	5,194,220	13,675,537
$ 8,570,700	$ 5,351,378	$ 13,922,078

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Maple Plain, Minnesota
Balance Sheet
Governmental Funds
December 31, 2022

	101 General	801/802/803 Fire Partnership	451 Capital Project	455 2022 Street Project
Assets				
Cash and temporary investments	$ 1,242,364	$ 418,489	$ 2,207,323	$ 104,934
Receivables				
Delinquent taxes	26,142	-	-	-
Accounts	500	-	-	-
Lease	780,703	-	-	-
Special assessments	34,773	-	-	-
Prepaid items	75,131	4,004	1,804	-
Total Assets	$ 2,159,613	$ 422,493	$ 2,209,127	$ 104,934
Liabilities				
Accounts payable	$ 131,165	$ 23,005	$ 8,995	$ 33,050
Accrued salaries payable	21,001	27,963	-	-
Due to other governments	185	2,219	-	-
Unearned revenue	17,550	-	-	-
Total Liabilities	169,901	53,187	8,995	33,050
Deferred Inflows of Resources				
Unavailable revenue - taxes	21,042	-	-	-
Unavailable revenue - special assessments	34,773	-	-	-
Deferred lease resources	762,725	-	-	-
Total Deferred Inflows of Resources	818,540	-	-	-
Fund Balances				
Nonspendable	93,109	4,004	1,804	-
Restricted	-	-	21,371	71,884
Committed	-	365,302	-	-
Assigned	1,514	-	2,176,957	-
Unassigned	1,076,549	-	-	-
Total Fund Balances	1,171,172	369,306	2,200,132	71,884
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,159,613	$ 422,493	$ 2,209,127	$ 104,934

The notes to the financial statements are an integral part of this statement.

Debt Service	Other Governmental Funds	Total Governmental Funds
$ 772,249	$ 169,886	$ 4,915,245
-	-	26,142
-	-	500
-	-	780,703
549,863	-	584,636
-	-	80,939
$ 1,322,112	$ 169,886	$ 6,388,165
$ -	$ -	$ 196,215
-	-	48,964
-	-	2,404
-	231,023	248,573
-	231,023	496,156
-	-	21,042
549,765	-	584,538
-	-	762,725
549,765	-	1,368,305
-	-	98,917
772,347	34,143	899,745
-	84,449	449,751
-	-	2,178,471
-	(179,729)	896,820
772,347	(61,137)	4,523,704
$ 1,322,112	$ 169,886	$ 6,388,165

The notes to the financial statements are an integral part of this statement.

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City of Maple Plain, Minnesota
Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds December 31, 2022

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

Total Fund Balances - Governmental	$ 4,523,704
Governmental funds do not report a liability for equity interest in the joint venture deficit	(208,068)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	12,145,637
Less: accumulated depreciation/amortization	(3,928,738)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	377,694
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Bond principal payable	(4,475,000)
Bond premium payable	(70,157)
Lease payable	(107,445)
Net pension liability	(158,401)
Compensated absences payable	(10,814)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenues in the funds.	
Taxes receivable	21,042
Special assessments receivable	584,538
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	172,537
Deferred inflows of pension resources	(240,539)
Governmental funds do not report a liability for accrued interest until due and payable.	(55,290)
Total Net Position - Governmental Activities	$ 8,570,700

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	101	**801/802/803**	**451**	**455**
				2022
		Fire	Capital	Street
	General	Partnership	Project	Project
Revenues				
Taxes	$ 1,325,536	$ -	$ -	$ -
Licenses and permits	85,499	-	-	-
Intergovernmental	262,042	45,239	8,755	-
Charges for services	73,496	450,833	-	-
Fines and forfeitures	10,266	-	-	-
Special assessments	-	-	-	-
Interest on investments	9,354	9	14,678	355
Miscellaneous	81,955	1,129	10,250	-
Total Revenues	1,848,148	497,210	33,683	355
Expenditures				
Current				
General government	511,511	-	-	-
Public safety	851,465	418,893	-	-
Public works	208,156	-	-	-
Culture and recreation	77,451	-	-	-
Economic development	-	-	-	-
Capital outlay				
General government	3,125	-	-	-
Public safety	-	1,705	37,275	-
Public works	-	-	4,901	729,870
Culture and recreation	400	-	26,919	-
Debt service				
Principal	35,010	-	-	-
Interest and other	1,642	-	-	-
Bond issuance costs	-	-	-	38,246
Total Expenditures	1,688,760	420,598	69,095	768,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	159,388	76,612	(35,412)	(767,761)
Other Financing Sources (Uses)				
Transfers in	-	-	110,000	-
Bonds issued	-	-	-	797,161
Premium on bonds issued	-	-	-	42,484
Transfers out	(110,000)	-	-	-
Total Other Financing Sources (Uses)	(110,000)	-	110,000	839,645
Net Change in Fund Balances	49,388	76,612	74,588	71,884
Fund Balances, January 1	1,121,784	292,694	2,125,544	-
Fund Balances, December 31	$ 1,171,172	$ 369,306	$ 2,200,132	$ 71,884

The notes to the financial statements are an integral part of this statement.

Debt Service	Other Governmental Funds	Total Governmental Funds
$ 256,815	$ -	$ 1,582,351
-	-	85,499
-	-	316,036
-	-	524,329
-	-	10,266
106,906	-	106,906
4,918	1,219	30,533
-	-	93,334
368,639	1,219	2,749,254
-	-	511,511
-	-	1,270,358
-	-	208,156
-	-	77,451
-	6,066	6,066
-	-	3,125
-	-	38,980
-	87,174	821,945
-	-	27,319
200,000	-	235,010
110,300	-	111,942
-	-	38,246
310,300	93,240	3,350,109
58,339	(92,021)	(600,855)
-	-	110,000
17,839	-	815,000
-	-	42,484
-	-	(110,000)
17,839	-	857,484
76,178	(92,021)	256,629
696,169	30,884	4,267,075
$ 772,347	$ (61,137)	$ 4,523,704

The notes to the financial statements are an integral part of this statement.

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City of Maple Plain, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2022

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

Net Change in Fund Balances - Governmental Funds	$ 256,629
Governmental funds do not report income or loss in a joint venture	2,992
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	827,961
Depreciation/amortization expense	(376,329)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources 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 amortized in the statement of activities.	
Principal repayments	235,010
Issuance of long-term debt	(815,000)
Premium on bonds issued	(42,484)
Premium amortization	5,867
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(8,961)
Long-term pension activity is not reported in governmental funds.	
Pension expense	62,351
Direct aid contributions	708
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available.	
Property taxes	(3,157)
Special assessments	(51,523)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(4,681)
Change in Net Position - Governmental Activities	$ 89,383

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General and Fire Partnership Funds
For the Year Ended December 31, 2022

	General			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,325,376	$ 1,325,376	$ 1,325,536	$ 160
Licenses and permits	44,280	44,280	85,499	41,219
Intergovernmental	258,577	258,577	262,042	3,465
Charges for services	5,000	5,000	73,496	68,496
Fines and forfeitures	13,000	13,000	10,266	(2,734)
Interest on investments	10,000	10,000	9,354	(646)
Miscellaneous	54,365	54,365	81,955	27,590
Total Revenues	1,710,598	1,710,598	1,848,148	137,550
Expenditures				
Current				
General government	469,751	469,751	511,511	(41,760)
Public safety	859,144	859,144	851,465	7,679
Public works	130,440	130,440	208,156	(77,716)
Culture and recreation	111,363	111,363	77,451	33,912
Capital outlay				
General government	-	-	3,125	(3,125)
Public safety	-	-	-	-
Culture and recreation	5,000	5,000	400	4,600
Debt service				
Principal	-	-	35,010	(35,010)
Interest and other	-	-	1,642	(1,642)
Total Expenditures	1,575,698	1,575,698	1,688,760	(113,062)
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,900	134,900	159,388	24,488
Other Financing Sources (Uses)				
Transfers out	(134,900)	(134,900)	(110,000)	24,900
Net Change in Fund Balances	-	-	49,388	49,388
Fund Balances, January 1	1,121,784	1,121,784	1,121,784	-
Fund Balances, December 31	$ 1,121,784	$ 1,121,784	$ 1,171,172	$ 49,388

The notes to the financial statements are an integral part of this statement.

Fire Partnership			
Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget
$ -	$ -	$ -	$ -
-	-	-	-
36,500	36,500	45,239	8,739
450,833	450,833	450,833	-
-	-	-	-
-	-	9	9
-	-	1,129	1,129
487,333	487,333	497,210	9,877
-	-	-	-
419,413	419,413	418,893	520
-	-	-	-
-	-	-	-
-	-	-	-
2,920	2,920	1,705	1,215
-	-	-	-
-	-	-	-
-	-	-	-
422,333	422,333	420,598	1,735
65,000	65,000	76,612	11,612
-	-	-	-
65,000	65,000	76,612	11,612
292,694	292,694	292,694	-
$ 357,694	$ 357,694	$ 369,306	$ 11,612

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota

Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current Assets				
Cash and temporary investments	$ 972,371	$ 38,732	$ 478,507	$ 1,489,610
Receivables				
Accounts	129,255	108,297	21,518	259,070
Special assessments	21,231	13,589	11,436	46,256
Inventories	32,749	-	-	32,749
Prepaid items	4,964	18,583	-	23,547
Total Current Assets	1,160,570	179,201	511,461	1,851,232
Noncurrent Assets				
Special assessments receivable	233,235	165,068	115,362	513,665
Capital assets				
Construction in progress	-	17,998	-	17,998
Equipment and machinery	-	144,744	-	144,744
Infrastructure	8,321,046	3,003,568	1,499,190	12,823,804
Less accumulated depreciation	(2,796,051)	(944,228)	(293,668)	(4,033,947)
Net Capital Assets	5,524,995	2,222,082	1,205,522	8,952,599
Total Noncurrent Assets	5,758,230	2,387,150	1,320,884	9,466,264
Total Assets	6,918,800	2,566,351	1,832,345	11,317,496
Liabilities				
Current Liabilities				
Accounts payable	42,958	3,532	3,915	50,405
Accrued interest payable	40,437	18,779	9,810	69,026
Due to other governments	664	-	-	664
Bonds payable - current	373,653	105,674	45,000	524,327
Total Current Liabilities	457,712	127,985	58,725	644,422
Noncurrent Liabilities				
Bonds payable	3,119,888	1,365,724	836,084	5,321,696
Total Liabilities	3,577,600	1,493,709	894,809	5,966,118
Net Position				
Net investment in capital assets	2,093,865	900,403	324,438	3,318,706
Unrestricted	1,247,335	172,239	613,098	2,032,672
Total Net Position	$ 3,341,200	$ 1,072,642	$ 937,536	$ 5,351,378

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating Revenues				
Charges for services	$ 616,582	$ 392,904	$ 67,428	$ 1,076,914
Operating Expenses				
Personal services	493	369	-	862
Supplies	16,741	1,654	-	18,395
Repairs and maintenance	81,080	840	-	81,920
Depreciation	208,289	71,089	38,786	318,164
Professional services	71,436	228,744	14,665	314,845
Contracted services	-	8,821	22,559	31,380
Insurance	11,291	2,097	-	13,388
Utilities	55,097	2,458	-	57,555
Other	18,440	11,368	10,495	40,303
Total Operating Expenses	462,867	327,440	86,505	876,812
Operating Income (Loss)	153,715	65,464	(19,077)	200,102
Nonoperating Revenues (Expenses)				
Investment earnings	7,755	1,025	3,410	12,190
Miscellaneous	1,458	260	-	1,718
Interest expense	(81,459)	(33,340)	(23,659)	(138,458)
Bond issuance costs	(16,425)	(7,039)	-	(23,464)
Total Nonoperating Revenues (Expenses)	(88,671)	(39,094)	(20,249)	(148,014)
Income (Loss) Before Contributions and Transfers	65,044	26,370	(39,326)	52,088
Capital Contributions				
Special assessments	26,661	21,454	13,087	61,202
Connection fees	40,583	3,285	-	43,868
Change in Net Position	132,288	51,109	(26,239)	157,158
Net Position, January 1	3,208,912	1,021,533	963,775	5,194,220
Net Position, December 31	$ 3,341,200	$ 1,072,642	$ 937,536	$ 5,351,378

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers	$ 625,098	$ 381,224	$ 69,285	$ 1,075,607
Payments to suppliers	(245,232)	(265,809)	(51,256)	(562,297)
Payments to employees	(498)	(677)	-	(1,175)
Net Cash Provided by Operating Activities	379,368	114,738	18,029	512,135
Cash Flows from Capital and Related Financing Activities				
Connection fees received	40,583	3,285	-	43,868
Acquisition of capital assets	(406,717)	(66,768)	(27,921)	(501,406)
Proceeds from bonds issued, net of issuance costs	351,774	150,948	-	502,722
Principal payments on revenue bonds	(351,355)	(97,647)	(40,000)	(489,002)
Interest paid on bonds	(92,556)	(43,782)	(24,508)	(160,846)
Special assessments received	46,517	35,684	24,591	106,792
Net Cash Used by Capital and Related Financing Activities	(411,754)	(18,280)	(67,838)	(497,872)
Cash Flows from Investing Activities				
Interest received on investments	7,755	1,025	3,410	12,190
Net Increase (Decrease) in Cash and Cash Equivalents	(24,631)	97,483	(46,399)	26,453
Cash and Cash Equivalents, January 1	997,002	(58,751)	524,906	1,463,157
Cash and Cash Equivalents, December 31	$ 972,371	$ 38,732	$ 478,507	$ 1,489,610

The notes to the financial statements are an integral part of this statement.

City of Maple Plain, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by Operating Activities				
Operating income (loss)	$ 153,715	$ 65,464	$ (19,077)	$ 200,102
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	208,289	71,089	38,786	318,164
Other receipts	1,458	260	-	1,718
(Increase) decrease in assets/deferred outflows				
Accounts receivable	(14,659)	(16,980)	(804)	(32,443)
Special assessments receivable	4,611	4,491	2,279	11,381
Due from other governments	17,106	549	382	18,037
Prepaid items	(544)	1,427	-	883
Inventories	(8,024)	-	-	(8,024)
Deferred pension resources	-	-	-	-
Increase (decrease) in liabilities/deferred inflows				
Accounts payable	16,890	(11,557)	(3,537)	1,796
Accrued salaries payable	(5)	(5)	-	(10)
Due to other governments	531	-	-	531
Net Cash Provided by Operating Activities	$ 379,368	$ 114,738	$ 18,029	$ 512,135
Schedule of Noncash				
Capital Financing Activities				
Amortization of bond premium	$ 10,147	$ 8,567	$ 56	$ 18,770

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Maple Plain (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. The City has the following component unit:

Blended Component Unit. The Economic Development Authority (EDA) of the City was created in 2006 pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of the members of the City Council and two members at large with a December 31 year end. The EDA activities are blended and reported as a special revenue fund due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements are not issued for this component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *Fire Partnership fund* is a special revenue fund which accounts for charges for service that are committed for activities of the fire partnership agreement with the City of Independence.

The *Capital Project fund* accounts for the resources accumulated and payments made for purchases of capital projects.

The *2022 Street Project fund* accounts for the resources accumulated and payments made for the 2022 Street Project.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/ Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.

4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

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

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Earnings on investments are allocated to the individual funds based upon the average cash and investment balances.

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year.

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

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

Inventories

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) 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.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000, or as shown below; (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Amount
Land and Land Improvements	$ 10,000
Other Improvements	25,000
Buildings	25,000
Building Improvements	25,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

Note 1: Summary of Significant Accounting Policies (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land Improvements	15 to 30
Other Improvements	10 to 20
Buildings	20 to 40
Machinery and Equipment	3 to 15
Infrastructure	20 to 60
Vehicles	3 to 15

Deferred Outflows of Resources

In addition to assets, the statement of net 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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

Public Employees Retirement Association

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fire Relief Association

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Maple Plain Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employees Plan (GERP) and Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief	Total All
	GERP	DCP	Association	Plans
Pension Expense	$ (15,449)	$ 1,197	$ 78,627	$ 64,375

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Limited amounts of vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In such an instance, the General fund would be used to liquidate the liability.

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also recognizes a deferred lease receivable, which is reported under both the modified accrual and full accrual basis. Furthermore, the City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 60 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows or resources and liabilities and deferred inflows or resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2022.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2022 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 1,575,698	$ 1,688,760	$ 113,062

The excess expenditures were funded by revenues in excess of expectations.

C. Deficit Fund Equity

The following fund had a fund balance deficit at December 31, 2022:

Fund	Amount
Nonmajor Governmental	
Downtown Development	$ 179,729

The City plans to fund this deficit with a transfer from other funds if future grant funding and developer contributions do not cover the deficit.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was $3,956,565 and the bank balance was $4,073,314. Of the bank balance, $500,000 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Note 3: Detailed Notes on All Funds (Continued)

Investments

The Minnesota Municipal Money Market 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 Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution (1)	Amount
Investments at Amortized Costs			
Minnesota Municipal Money Market Fund	N/A	less than 6 months	$ 2,448,290

(1) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicated not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk*. Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 56 of the notes.
- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk*. Is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk*. Is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not currently have a formal investment policy that addresses the above mentioned risks.

Cash and Investments Summary

A reconciliation of cash and investments as reported on the statement of net position follows:

Carrying Amount of Deposits	$ 3,956,565
Investments	2,448,290
Total	$ 6,404,855

Note 3: Detailed Notes on All Funds (Continued)

B. Lease Receivable

As of December 31, 2022, the City had the following lease receivable:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
T-Mobile Antenna Lease Agreement	01/01/17	1.30%	$ 32,460	$ 780,703

Under the T-Mobile Antenna Lease Agreement, T-Mobile pays the City monthly for 240 remaining months in exchange for a site upon which to operate communication facilities supporting telecommunications. The monthly receipt amount for 2022 was $2,705.

C. Capital Assets

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	$ 2,190,661	$ -	$ -	$ 2,190,661
Construction in progress	817,834	87,175	(905,009)	-
Total Capital Assets not Being Depreciated/Amortized	3,008,495	87,175	(905,009)	2,190,661
Capital Assets Being Depreciated/Amortized				
Buildings	545,200	-	-	545,200
Improvements other than buildings	1,198,504	-	-	1,198,504
Machinery and equipment	2,839,908	11,200	-	2,851,108
Infrastructure	3,583,114	1,634,595	-	5,217,709
Leased building (intangible right to use asset)	142,455	-	-	142,455
Total Capital Assets Being Depreciated/Amortized	8,309,181	1,645,795	-	9,954,976
Less Accumulated Depreciation/Amortization				
Buildings	(537,613)	(872)	-	(538,485)
Improvements other than buildings	(260,226)	(54,803)	-	(315,029)
Machinery and equipment	(2,157,086)	(153,730)	-	(2,310,816)
Infrastructure	(597,484)	(129,762)	-	(727,246)
Leased building (intangible right to use asset)	-	(37,162)	-	(37,162)
Total Accumulated Depreciation/Amortization	(3,552,409)	(376,329)	-	(3,928,738)
Total Capital Assets Being Depreciated/Amortized, Net	4,756,772	1,269,466	-	6,026,238
Governmental Activities Capital Assets, Net	$ 7,765,267	$ 1,356,641	$ (905,009)	$ 8,216,899

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Construction in progress	$ 909,340	$ 112,158	$ (1,003,500)	$ 17,998
Capital Assets Being Depreciated				
Machinery and equipment	144,744	-	-	144,744
Infrastructure	11,431,056	1,392,748	-	12,823,804
Total Capital Assets Being Depreciated	11,575,800	1,392,748	-	12,968,548
Less Accumulated Depreciation for				
Machinery and equipment	(126,229)	(5,927)	-	(132,156)
Infrastructure	(3,589,554)	(312,237)	-	(3,901,791)
Total Accumulated Depreciation	(3,715,783)	(318,164)	-	(4,033,947)
Total Capital Assets Being Depreciated, Net	7,860,017	1,074,584	-	8,934,601
Business-type Activities Capital Assets, Net	$ 8,769,357	$ 1,186,742	$ (1,003,500)	$ 8,952,599

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

Governmental Activities	
General government	$ 56,061
Public safety	113,390
Public works	163,039
Culture and recreation	43,839
Total Depreciation/Amortization Expense - Governmental Activities	$ 376,329
Business-type Activities	
Water	$ 208,289
Sewer	71,089
Storm Water	38,786
Total Depreciation/Amortization Expense - Business-type Activities	$ 318,164

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2022is as follows:

Fund	Transfers In Capital Project
Transfers Out	
General	$ 110,000

The City annually budgets for transfers between funds. These annual budgeted transfers are made to cover administrative fees, fund certain capital improvement projects, and debt service, including a transfer from the General fund to the Capital Project fund.

E. Long-term Debt

General Obligation Special Assessment Bonds

The following bonds were used to finance infrastructure improvements. They will be repaid with ad valorem taxes, special assessments levied against the properties. The bonds are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2014	$ 1,495,000	2.00 - 3.375 %	6/25/14	2/1/35	$ 1,060,000
G.O. Improvement Bonds of 2016	710,000	1.00 - 3.00	7/28/16	2/1/37	560,000
G.O. Improvement Bonds of 2018	1,015,000	3.00 - 3.375	5/15/18	2/1/39	895,000
G.O. Improvement Bonds of 2021	970,000	1.00 - 2.00	6/10/21	2/1/42	970,000
G.O. Improvement Bond of 2021	240,000	5.00	6/10/21	2/1/28	135,000
G.O. Improvement Bond of 2021	240,350	5.00	6/10/21	2/1/28	40,000
G.O. Improvement Bond of 2022	815,000	4.00	7/14/22	2/1/38	815,000
Total G.O. Special Assessment Bonds					$ 4,475,000

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2023	$ 245,000	$ 127,593	$ 372,593
2024	250,000	118,966	368,966
2025	255,000	111,841	366,841
2026	270,000	104,341	374,341
2027	270,000	96,541	366,541
2028 - 2032	1,370,000	366,697	1,736,697
2033 - 2037	1,345,000	159,619	1,504,619
2038 - 2042	470,000	19,488	489,488
Total	$ 4,475,000	$ 1,105,086	$ 5,580,086

G.O. Revenue Bonds

The City issued G.O. revenue bonds for business-type activities to provide funds for the acquisition and construction of major capital facilities. These bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues.

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 72 and 36 percent of revenues from the Water and Sewer funds, respectively. For 2022, principal and interest paid and total customer revenues for the Water fund were $443,911 and $616,582, respectively. For 2022, principal and interest paid and total customer revenues for the Sewer fund were $141,429 and $392,904, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note of 2007	$ 3,468,767	2.15 %	7/9/07	8/20/26	$ 863,000
G.O. Improvement Bonds of 2014	1,505,000	2.00 - 3.375	6/25/14	2/1/35	1,060,000
G.O. Improvement Bonds of 2016	975,000	1.00 - 3.00	7/28/16	2/1/37	775,000
G.O. Improvement Bonds of 2018	935,000	3.00 - 3.375	05/15/18	2/1/39	815,000
G.O. Improvement Bonds of 2021	1,035,000	1.00 - 2.00	6/10/21	2/1/42	1,035,000
G.O. Refunding Bond of 2021	805,000	5.00	6/10/21	2/1/28	670,000
G.O. Water Revenue Bond of 2022	350,000	4.00	7/14/22	2/1/38	350,000
G.O. Sewer Revenue Bond of 2022	150,000	4.00	7/14/22	2/1/38	150,000
Total G.O. Revenue Bonds					$ 5,718,000

Note 3: Detailed Notes on All Funds (Continued)

Annual requirement to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities Principal	Business-type Activities Interest	Business-type Activities Total
2023	$ 524,327	$ 159,617	$ 683,944
2024	532,673	144,729	677,402
2025	553,000	128,250	681,250
2026	563,000	112,388	675,388
2027	345,000	96,219	441,219
2028 - 2032	1,440,000	340,728	1,780,728
2033 - 2037	1,320,000	147,395	1,467,395
2038 - 2042	440,000	18,700	458,700
Total	$ 5,718,000	$ 1,148,026	$ 6,866,026

Lease Payable

Lease agreements are summarized as follows:

Description	Original Asset Amount	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Discovery Center - Office Space	$ 142,456	1.30 %	10/31/19	10/31/25	$ 107,445

On October 16, 2014, the City entered into a lease agreement with the Orono Independent School District No. 278 for the period of October 1, 2014 through October 31, 2019. On October 31, 2019, the City amended the lease and extended the term through October 31, 2021. On October 1, 2021, the lease was amended to extend the term through October 31, 2024 at a fixed interest rate of 1.30%. The lease can be renewed for one additional year beyond the end date. The leased premises consist of City Office Space and Council Chambers.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total
2023	$ 36,387	$ 1,181	$ 37,568
2024	37,923	700	38,623
2025	33,135	198	33,333
Total	$ 107,445	$ 2,079	$ 109,524

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
G.O. special assessment bonds	$ 3,860,000	$ 815,000	$ (200,000)	$ 4,475,000	$ 245,000
Unamortized premium on bonds	33,540	42,484	(5,867)	70,157	-
Total Bonds Payable	3,893,540	857,484	(205,867)	4,545,157	245,000
Lease payable	142,455	-	(35,010)	107,445	36,387
Compensated absences payable	6,133	6,363	(1,682)	10,814	10,814
Governmental Activities Long-term Liabilities	$ 4,042,128	$ 6,363	$ (36,692)	$ 4,663,416	$ 292,201
Business-type Activities					
Bonds payable					
G.O. revenue bonds	$ 5,707,000	$ 500,000	$ (489,000)	$ 5,718,000	$ 524,327
Unamortized premium on bonds	120,609	26,186	(18,772)	128,023	-
Business-type Activities Long-term Liabilities	$ 5,827,609	$ 526,186	$ (507,772)	$ 5,846,023	$ 524,327

Conduit Debt Obligations

The City has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from private-sector entity revenues. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2022 there was one revenue bond outstanding with Haven Homes with a principal amount of $38,115,000.

Note 3: Detailed Notes on All Funds (Continued)

F. Fund Balance Classifications

The following is a summary of the components of fund balance:

	General	Fire Partnership	Capital Project Fund	2022 Street Project	Debt Service Fund	Other Governmental Funds	Total
Nonspendable							
Prepaid items	$ 93,109	$ 4,004	$ 1,804	$ -	$ -	$ -	$ 98,917
Restricted for							
Debt service	$ -	$ -	$ -	$ -	$ 772,347	$ -	$ 772,347
Capital projects	-	-	21,371	71,884	-	34,143	127,398
Total Restricted	$ -	$ -	$ 21,371	$ 71,884	$ 772,347	$ 34,143	$ 899,745
Committed to							
Fire protection services	$ -	$ 365,302	$ -	$ -	$ -	$ -	$ 365,302
Economic development	-	-	-	-	-	84,449	84,449
Total Committed	$ -	$ 365,302	$ -	$ -	$ -	$ 84,449	$ 449,751
Assigned to							
Capital projects 451	$ -	$ -	$ 2,176,957	$ -	$ -	$ -	$ 2,176,957
Planning 115	1,514	-	-	-	-	-	1,514
Total Assigned	$ 1,514	$ -	$ 2,176,957	$ -	$ -	$ -	$ 2,178,471
Unassigned	$ 1,076,549	$ -	$ -	$ -	$ -	$ (179,729)	$ 896,820
Total	$ 1,171,172	$ 369,306	$ 2,200,132	$ 71,884	$ 772,347	$ (61,137)	$ 4,523,704

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

<u>General Employees Retirement Plan</u>

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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 Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were $13,616, $10,350 and $7,662, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of $158,401 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 $4,737. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0020 percent at the end of the measurement period and 0.0013 for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	$ 158,401
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	4,737
Total	$ 163,138

For the year ended December 31, 2022, the City recognized negative pension expense of $16,157 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized $708 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.

At December 31, 2022, the City reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ 1,323	$ 1,168
Changes in Actuarial Assumptions	23,681	708
Net Difference Between Projected and Actual Earnings on Plan Investments	24,733	-
Changes in Proportion	14,947	49,163
Contributions to PERA Subsequent to the Measurement Date	8,467	-
Total	$ 73,151	$ 51,039

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The $8,467 reported as deferred outflows of resources related to pensions resulting from the City's contributions to General Employees Fund 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 General Employees Fund pensions will be recognized in pension expense as follows:

2023	$ (26,165)
2024	23,472
2025	2,013
2026	14,325

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 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 6.5 percent. 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 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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 used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	$ 250,202	$ 158,401	$ 83,109

I. Pension Plan Fiduciary Net Position

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

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2022 were:

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 1,197	$ 1,197	5.00%	5.00%	5.00%

The City’s contributions to the DCP plan for the years ended December 31, 2022, 2021 and 2020 were $1,197, $1,150 and $833, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Maple Plain Fire Department (the Department) are covered by a defined benefit plan administered by Maple Plain Fire Department Relief Association (the Association). As of December 31, 2021, the plan covered 23 active firefighters and 8 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $35,089, $32,683 and $31,025 in 2022, 2021, and 2020, respectively, in fire state aid to the plan on behalf of the City Fire Department, which was recorded as a revenue within the City’s financial statements. The City’s statutorily-required contributions to the plan for the years ended December 31, 2022, 2021, and 2020 were $79,889, $76,825 and $66,488, respectively. The City’s contributions were equal to the required contributions as set by Minnesota statute. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2022, the City reported a net pension liability (asset) of ($377,694) for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA. applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2022	$ 1,147,501	$ 1,494,683	$ (347,182)
Changes for the Year			
Service cost	30,010	-	30,010
Interest cost	63,362	-	63,362
Plan changes	81,387	-	81,387
Contributions (employer)	-	44,800	(44,800)
Nonemployer contributions	-	33,683	(33,683)
Projected investment return	-	82,964	(82,964)
(Gain)/loss	-	43,848	(43,848)
Benefit payments	(50,954)	(50,954)	-
Administrative expenses	-	(24)	24
Total Net Changes	123,805	154,317	(30,512)
Ending Balance December 31, 2022	$ 1,271,306	$ 1,649,000	$ (377,694)

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

For the year ended December 31, 2022, the City recognized pension expense of $78,627.

At December 31, 2022, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 66,632
Changes in Actuarial Assumptions	19,497	48,870
Net Difference Between Projected and Actual Earnings on Plan Investments	-	73,998
Contributions to Plan Subsequent to the Measurement Date	79,889	-
Total	$ 99,386	$ 189,500

Deferred outflows of resources totaling $79,889 related to pensions resulting from the City's contributions to the plan 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 of resources related to the plan will be recognized in pension expense as follows:

2023	$ (26,330)
2024	(56,983)
2025	(30,262)
2026	(24,883)
2027	(16,108)
Thereafter	(15,437)

E. Actuarial Assumptions

The total pension liability at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-54 and 100 Percent at Age 55	
Salary Increases	2.50% per year
Cost of Living Increases	4.00% per year
Investment Rate of Return	5.50%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2022.

The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. 5.5 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and Equivalents	13.00 %	1.80 %
Fixed Income	19.00	3.00
Equities	66.00	6.90
Other	2.00	7.00
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Asset Sensitivity

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1 Percent Decrease (4.50%)	Current (5.50%)	1 Percent Increase (6.50%)
Defined Benefit Plan	$ (344,018)	$ (377,694)	$ (410,090)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Maple Plain Fire Department Relief Association, 5050 Independence Street, Maple Plain, MN 55359.

Note 7: Joint Ventures and Jointly Governed Organizations

Joint Ventures

West Hennepin Public Safety Department

In 1995, the Cities of Maple Plain and Independence, Minnesota, formed the West Hennepin Public Safety Department (the “Department”). The City participates in a joint powers agreement, which establishes the Department for the purpose of providing police protection within the two communities. The agreement creates a Board of Commissioners (the Board), composed of representatives from each member city, consisting of four members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Department’s activities. The Board must, on or before August 15th each year, prepare and submit a detailed budget of the Department’s needs for the next calendar year to the governing body of each city in the Department with a statement of the proportion of the budget to be provided by each city. The governing body of each city in the Department shall review and approve the budget by November 1st.

The following financial information is taken from the Department’s audited financial statements for the year ended December 31, 2022

Total Assets and Deferred Outflows of Resources	$ 3,198,699
Total Liabilities and Deferred Inflows of Resources	3,850,092
Total Net Position	(651,393)
Total Revenue	2,141,418
Total Expense	2,144,665

The City’s equity interest and its share of the net income (loss) of the Department are added to the value of the “Investment in Joint Venture deficit” in the government-wide financial statement under governmental activities. As of December 31, 2022 the amount reported as investment in joint venture deficit was $208,068.

According to a formula in the agreement, the City’s share of the Department’s budget is approximately 34 percent. Payments to the Department in 2021 totaled $616,984. The Department’s financial statements for the period ending December 31, 2022 are available at the City’s Municipal Center.

Maple Plain - Independence Fire Services Partnership

On December 31, 2002 the Maple Plain-Independence Fire Services Partnership (the "Fire Partnership") was established under a joint powers agreement among the Cities of Maple Plain and Independence to provide fire protection in the fire service area of the two cities. Maple Plain is considered the managing partner.

The governing body consists of a 5 member Board. Two individuals, the Mayor and another City Council Member from each City, are appointed by their respective City Council to serve on the Board and the fire chief is also a member of the Board. The Fire Partnership does not have any component units.

As provided for in the joint powers agreement, in the event of termination, all real and personal property and cash held by the Fire Partnership would be divided among the members. The managing partner shall, at its sole discretion either sell the capital assets and distribute the net proceeds from the sale to each partner based on the partner’s partnership interest or purchase the partnership interest Independence has in any capital assets of the partnership.

The governmental fund financial activity of the Fire Partnership are currently reported in a special revenue fund in the basic financial statements and the capital assets and related long-term liabilities are recorded within the governmental activities in the statement of net position. The City contributed $252,642 to the Fire Partnership in 2022. The City of Independence holds a 52.65 percent equity interest in the Fire Partnership.

Note 7: Joint Ventures and Jointly Governed Organizations (Continued)

Jointly Governed Organizations

Pioneer - Sarah Creek Watershed Management Commission

The Pioneer-Sarah Creek Watershed Management Commission is a joint powers watershed management organization formed under Minnesota statutes 103B.201-103B.255 and Minnesota Rules Chapter 8410. The Pioneer-Sarah Creek watershed covers about 70.5 square miles in northwestern Hennepin County. The six cities in the watershed jointly manage the water resources in this area through the Commission. The member cities are Maple Plain, Loretto, Independence, Medina, Minnetrista and Greenfield. The goal of the Commission is to enhance the water quality of the water resources within the watershed. The Commission seeks to carry out this goal through public information and education, analysis of the causes of harmful impacts on the water resources, regulation of the use of water bodies and their beds, regulation of land use, and capital improvement projects.

The City remitted $10,496 to the Commission in 2022. The contribution was reported in the City's Storm Water fund.

Complete financial statements can be obtained at the Commission's web site: http://pioneersarahcreek.org.

Note 8: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

The City’s statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City’s applicable debt does not exceed the limit.

Note 8: Other Information (Continued)

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2022 was $252,642. This accounted for 14 percent of General fund revenues.

D. Changes in Accounting Principles and Restatement

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset were equal balances and had no effect on the beginning net position of the Governmental Activities.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Plan

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0020 %	$ 158,401	$ 4,737	$ 163,138	$ 154,218	102.7 %	76.7 %
06/30/21	0.0013	55,516	1,645	57,161	80,918	68.6	87.0
06/29/20	0.0022	131,900	4,125	136,025	159,243	82.8	79.0
06/30/19	0.0045	248,795	7,833	256,628	319,508	77.9	80.2
06/30/18	0.0046	255,189	8,281	263,470	308,163	82.8	79.5
06/30/17	0.0041	261,741	3,306	265,047	256,354	102.1	75.9
06/29/16	0.0043	349,139	-	349,139	266,607	131.0	68.9
06/29/15	0.0039	202,118	-	202,118	224,153	90.2	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Plan

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	$ 13,616	$ 13,616	$ -	$ 181,548	7.5 %
12/31/21	10,350	10,350	-	138,005	7.5
12/30/20	7,662	7,662	-	102,155	7.5
12/31/19	18,801	18,801	-	250,686	7.5
12/31/18	23,768	23,768	-	316,912	7.5
12/31/17	20,913	20,913	-	278,837	7.5
12/30/16	19,011	19,011	-	253,485	7.5
12/30/15	17,983	17,983	-	239,770	7.5

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The morality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation

2020 - 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 - 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.

2017 - The State's special funding contribution increased from $6 million to $16 million.

2015 - 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.

City of Maple Plain, Minnesota
Required Supplementary Information (Continued)
December 31, 2022

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability							
Service cost	$ 30,010	$ 30,874	$ 28,113	$ 31,245	$ 30,483	$ 39,565	$ 37,413
Interest	63,362	57,732	53,612	49,207	49,395	53,188	43,559
Assumption changes	-	(17,946)	-	32,497	-	-	-
Plan changes	81,387	49,554	62,919	57,915	-	-	72,040
Changes of assumptions	-	-	-	-	-	(75,938)	-
Gain or loss	-	(31,488)	-	(38,625)	-	(40,193)	-
Benefit payments, including refunds of employee contributions	(50,954)	(130,000)	-	(82,000)	(86,800)	-	-
Net Change in Total Pension Liability	123,805	(41,274)	144,644	50,239	(6,922)	(23,378)	153,012
Total Pension Liability - January 1	1,147,501	1,188,775	1,044,131	993,892	1,000,814	1,024,192	871,180
Total Pension Liability - December 31 (a)	$ 1,271,306	$ 1,147,501	$ 1,188,775	$ 1,044,131	$ 993,892	$ 1,000,814	$ 1,024,192
Plan Fiduciary Net Position							
Contributions - employer	$ 44,800	$ 44,800	$ 40,000	$ 38,000	$ 31,851	$ 27,026	$ 26,520
Contributions - state	33,683	32,025	26,488	26,857	36,043	34,714	24,408
Net investment income	82,964	71,160	61,093	64,308	58,002	52,901	52,385
Gain or loss	43,848	26,901	133,593	(153,279)	86,154	27,703	(98,405)
Benefit payments, including refunds of employee contributions	(50,954)	(130,000)	-	(82,000)	(86,800)	-	-
Administrative expense	(24)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	154,317	44,886	261,174	(106,114)	125,250	142,344	4,908
Plan Fiduciary Net Position - January 1	1,494,683	1,449,797	1,188,623	1,294,737	1,169,487	1,027,143	1,022,235
Plan Fiduciary Net Position - December 31 (b)	$ 1,649,000	$ 1,494,683	$ 1,449,797	$ 1,188,623	$ 1,294,737	$ 1,169,487	$ 1,027,143
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	$ (377,694)	$ (347,182)	$ (261,022)	$ (144,492)	$ (300,845)	$ (168,673)	$ (2,951)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	129.71%	130.26%	121.96%	113.84%	130.27%	116.85%	100.29%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's 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

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

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/22	$ 35,089	$ 79,889	$ (44,800)
12/31/21	32,683	76,825	(44,142)
12/30/20	31,025	66,488	(35,463)
12/31/19	26,488	67,488	(41,000)
12/31/18	26,857	64,857	(38,000)
12/31/17	26,043	57,894	(31,851)
12/30/16	24,714	51,740	(27,026)

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

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Actuarial Assumptions

2016 - The retirement age changed from Age 50 to a graded schedule based on age. The interest rate used for deferred benefit increases subject to the rate chosen by the relief association is assumed to be zero. Previously, it was assumed this rate would be equal to the 4.00% rate chosen for other deferred benefit increases.

2015 - In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

Changes in Plan Provisions

2022 - The benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary. In 2022, the benefit fee increased from $3,200 to $3,500.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Maple Plain, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	$ 315,472	$ (145,586)	$ 169,886
Liabilites			
Unearned revenue	$ 231,023	$ -	$ 231,023
Fund Balances			
Restricted	-	34,143	34,143
Committed	84,449	-	84,449
Unassigned	-	(179,729)	(179,729)
Total Fund Balances	84,449	(145,586)	(61,137)
Total Liabilities and Fund Balances	$ 315,472	$ (145,586)	$ 169,886

City of Maple Plain, Minnesota

Nonmajor Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Interest on investments	$ 591	$ 628	$ 1,219
Expenditures			
Current			
Economic development	6,066	-	6,066
Capital outlay			
Public works	-	87,174	87,174
Total Expenditures	6,066	87,174	93,240
Net Change in Fund Balances	(5,475)	(86,546)	(92,021)
Fund Balances, January 1	89,924	(59,040)	30,884
Fund Balances, December 31	$ 84,449	$ (145,586)	$ (61,137)

City of Maple Plain, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	200 Economic Development	210 American Rescue Plan Fund	Total
Assets			
Cash and temporary investments	$ 84,449	$ 231,023	$ 315,472
Liabilites			
Unearned revenue	$ -	$ 231,023	$ 231,023
Fund Balances			
Committed	84,449	-	84,449
Total Liabilities and Fund Balances	$ 84,449	$ 231,023	$ 315,472

City of Maple Plain, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2022

	200 Economic Development	210 American Rescue Plan Fund	Total
Revenues			
Interest on investments	$ 591	$ -	$ 591
Expenditures			
Current			
Economic development	6,066	-	6,066
Net Change in Fund Balances	(5,475)	-	(5,475)
Fund Balances, January 1	89,924	-	89,924
Fund Balances, December 31	$ 84,449	$ -	$ 84,449

City of Maple Plain, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2022

	452 Downtown Development	453 2021 Street Reconstruction	Total
Assets			
Cash and temporary investments	$ (179,729)	$ 34,143	$ (145,586)
Fund Balances			
Restricted for			
Capital improvements	$ -	$ 34,143	$ 34,143
Unassigned	(179,729)	-	(179,729)
Total Fund Balances	$ (179,729)	$ 34,143	$ (145,586)

City of Maple Plain, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2022

	452 Downtown Development	**453** 2021 Street Reconstuction	Total
Revenues			
Interest on investments	$ -	$ 628	$ 628
Expenditures			
Capital outlay			
Public works	-	87,174	87,174
Net Change in Fund Balances	-	(86,546)	(86,546)
Fund Balances, January 1	(179,729)	120,689	(59,040)
Fund Balances, December 31	$ (179,729)	$ 34,143	$ (145,586)

City of Maple Plain, Minnesota

General Fund

Schedules of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
General property	$ 1,311,376	$ 1,311,376	$ 1,312,214	$ 838	$ 1,287,924
Cable franchise fees	14,000	14,000	13,322	(678)	13,619
Total taxes	1,325,376	1,325,376	1,325,536	160	1,301,543
Licenses and permits					
Business	16,780	16,780	19,100	2,320	12,599
Nonbusiness	27,500	27,500	66,399	38,899	34,242
Total licenses and permits	44,280	44,280	85,499	41,219	46,841
Intergovernmental					
Federal					
State					
Local government aid	252,642	252,642	252,642	-	252,642
PERA aid	935	935	-	(935)	-
County					
Other county grants	5,000	5,000	9,400	4,400	13,825
Total intergovernmental	258,577	258,577	262,042	3,465	266,467
Charges for services					
General government	5,000	5,000	71,496	66,496	13,003
Culture and recreation	-	-	2,000	2,000	-
Total charges for services	5,000	5,000	73,496	68,496	13,003
Fines and forfeitures	13,000	13,000	10,266	(2,734)	12,605
Interest on investments	10,000	10,000	9,354	(646)	2,895
Miscellaneous					
Contributions and donations	-	-	10,000	10,000	3,500
Rents and royalties	44,965	44,965	56,565	11,600	45,140
Other	9,400	9,400	15,390	5,990	46,004
Total miscellaneous	54,365	54,365	81,955	27,590	94,644
Total Revenues	1,710,598	1,710,598	1,848,148	137,550	1,737,998

City of Maple Plain, Minnesota

General Fund

Schedules of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued)

For the Year Ended December 31, 2022

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

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures					
Current					
General government					
Mayor and council					
Personal services	$ 34,554	$ 34,554	$ 29,529	$ 5,025	$ 31,095
Other services and charges	5,040	5,040	9,477	(4,437)	4,724
Total mayor and council	39,594	39,594	39,006	588	35,819
Financial administration					
Personal services	220,646	220,646	266,904	(46,258)	241,322
Supplies	2,700	2,700	2,619	81	1,917
Other services and charges	86,208	86,208	72,825	13,383	76,829
Total financial administration	309,554	309,554	342,348	(32,794)	320,068
Elections					
Other services and charges	8,000	8,000	3,905	4,095	988
Assessing					
Other services and charges	25,951	25,951	26,258	(307)	14,501
Legal					
Other services and charges	30,000	30,000	12,882	17,118	16,529
Planning and zoning					
Other services and charges	20,000	20,000	36,260	(16,260)	54,347
General government buildings					
Other services and charges	36,652	36,652	2,289	34,363	62,389
Escrow activity					
Other services and charges	-	-	48,563	(48,563)	1,384
Total general government	469,751	469,751	511,511	(41,760)	506,025
Public safety					
Police					
Other services and charges	633,394	633,394	632,427	967	587,889

City of Maple Plain, Minnesota
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Fire					
Other services and charges	$ 210,000	$ 210,000	$ 209,037	$ 963	$ 176,300
Building inspection					
Other services and charges	15,000	15,000	9,448	5,552	16,303
Civil defense					
Other services and charges	750	750	553	197	1,027
Total public safety	859,144	859,144	851,465	7,679	781,519
Public works					
Streets and alleys					
Personal services	-	-	2,723	(2,723)	1,398
Supplies	6,250	6,250	8,932	(2,682)	2,968
Other services and charges	124,190	124,190	196,501	(72,311)	162,931
Total public works	130,440	130,440	208,156	(77,716)	167,297
Culture and recreation					
Municipal parks					
Personal services	8,300	8,300	3,635	4,665	4,322
Supplies	6,320	6,320	4,992	1,328	5,583
Other services and charges	96,743	96,743	68,824	27,919	67,767
Total culture and recreation	111,363	111,363	77,451	33,912	77,672
Total current	1,570,698	1,570,698	1,648,583	(77,885)	1,532,513

City of Maple Plain, Minnesota
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Capital outlay					
General government	$ -	$ -	$ 3,125	$ (3,125)	$ 1,980
Public works	-	-	-	-	364
Culture and recreation	5,000	5,000	400	4,600	4,438
Total capital outlay	5,000	5,000	3,525	1,475	6,782
Debt service					
Principal	-	-	35,010	(35,010)	-
Interest and other	-	-	1,642	(1,642)	-
Total debt service	-	-	36,652	(36,652)	-
Total Expenditures	1,575,698	1,575,698	1,688,760	(113,062)	1,539,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,900	134,900	159,388	24,488	198,703
Other Financing Sources (Uses)					
Operating transfer in	-	-	-	-	39,646
Transfers out	(134,900)	(134,900)	(110,000)	24,900	(213,261)
Total Other Financing Sources (Uses)	(134,900)	(134,900)	(110,000)	24,900	(173,615)
Net Change in Fund Balances	-	-	49,388	49,388	25,088
Fund Balances, January 1	1,121,784	1,121,784	1,121,784	-	1,096,696
Fund Balances, December 31	$ 1,121,784	$ 1,121,784	$ 1,171,172	$ 49,388	$ 1,121,784

City of Maple Plain, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2022

	351 2012A G.O. Bonds	352 2013A G.O. Bonds	353 2014A G.O. Bonds	354 2016A G.O. Bonds
Assets				
Cash and temporary investments	$ 75,296	$ 40,462	$ 213,400	$ 92,912
Special assessments receivable	8,927	-	102,386	84,101
Total Assets	$ 84,223	$ 40,462	$ 315,786	$ 177,013
Deferred Inflows of Resources				
Unavailable revenue - special assessments	$ 8,927	$ -	$ 102,378	$ 84,335
Fund Balances				
Restricted for debt service	75,296	40,462	213,408	92,678
Total Deferred Inflows of Resources and Fund Balances	$ 84,223	$ 40,462	$ 315,786	$ 177,013

355 2018A G.O. Bonds	356 2021A G.O. Bonds	357 2022A G.O. Bonds	Total
$ 128,515	$ 205,420	$ 16,244	$ 772,249
167,746	186,703	-	549,863
$ 296,261	$ 392,123	$ 16,244	$ 1,322,112
$ 167,422	$ 186,703	$ -	$ 549,765
128,839	205,420	16,244	772,347
$ 296,261	$ 392,123	$ 16,244	$ 1,322,112

City of Maple Plain, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2022

	351 2012A G.O. Bonds	**352** 2013A G.O. Bonds	**353** 2014A G.O. Bonds	**354** 2016A G.O. Bonds
Revenues				
Taxes	$ 24,953	$ 44,100	$ 27,442	$ 40,264
Special assessments	4,852	-	18,715	32,614
Interest on investments	521	274	1,619	528
Total Revenues	30,326	44,374	47,776	73,406
Expenditures				
Debt service				
Principal	25,000	40,000	65,000	30,000
Interest and other	8,606	4,422	34,702	13,480
Total Expenditures	33,606	44,422	99,702	43,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,280)	(48)	(51,926)	29,926
Other Financing Sources				
Bonds issued	-	-	-	-
Net Change in Fund Balances	(3,280)	(48)	(51,926)	29,926
Fund Balances, January 1	78,576	40,510	265,334	62,752
Fund Balances, December 31	$ 75,296	$ 40,462	$ 213,408	$ 92,678

355 2018A G.O. Bonds	356 2021A G.O. Bonds	357 2022A G.O. Bonds	Total
$ 46,208	$ 73,848	$ -	$ 256,815
18,026	32,699	-	106,906
884	1,037	55	4,918
65,118	107,584	55	368,639
40,000	-	-	200,000
29,205	18,235	1,650	110,300
69,205	18,235	1,650	310,300
(4,087)	89,349	(1,595)	58,339
-	-	17,839	17,839
(4,087)	89,349	16,244	76,178
132,926	116,071	-	696,169
$ 128,839	$ 205,420	$ 16,244	$ 772,347

City of Maple Plain, Minnesota

Supplementary Information
Summary Financial Report
Revenues and Expenditures for General Operations -
Governmental Funds
For the Years Ended December 31, 2022 and 2021

	Totals 2022	Totals 2021	Percent Increase (Decrease)
Revenues			
Taxes	$ 1,582,351	$ 1,532,145	3.28 %
Special assessments	106,906	180,887	(40.90)
Licenses and permits	85,499	46,841	82.53
Intergovernmental	316,036	602,714	(47.56)
Charges for services	524,329	435,279	20.46
Fines and forfeits	10,266	12,605	(18.56)
Interest on investments	30,533	9,060	237.01
Miscellaneous	93,334	106,218	(12.13)
Total Revenues	$ 2,749,254	$ 2,925,749	(6.03) %
Per Capita	$ 1,340	$ 1,679	(20.14) %
Expenditures			
Current			
General government	$ 511,511	$ 506,025	1.08 %
Public safety	1,270,358	1,188,225	6.91
Public works	208,156	167,297	24.42
Culture and recreation	77,451	77,672	(0.28)
Economic development	6,066	29,763	NA
Capital outlay			
General government	3,125	1,980	57.83
Public safety	38,980	19,882	96.06
Public works	821,945	916,793	(10.35)
Culture and recreation	27,319	23,156	17.98
Economic development	-	489	(100.00)
Debt service			
Principal	235,010	1,135,000	(79.29)
Interest and other charges	150,188	148,811	0.93
Total Expenditures	$ 3,350,109	$ 4,215,093	(20.52) %
Per Capita	$ 1,633	$ 2,418	(32.46) %
Total Long-term Indebtedness	$ 4,582,445	$ 3,860,000	18.72 %
Per Capita	2,234	2,215	0.89
General Fund Balance - December 31	$ 1,171,172	$ 1,121,784	4.40 %
Per Capita	571	644	(11.28)

The purpose of this report is to provide a summary of financial information concerning the City of Maple Plain to interested citizens. The complete financial statements may be examined at City Hall, 5050 Independence Street, Maple Plain, MN 55359. Questions about this report should be directed to the City Clerk at (952) 479-0515.

OTHER REQUIRED REPORTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Maple Plain, 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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Plain, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 25, 2023.

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 and bidding, deposits and 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*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 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.

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

Abdo

Abdo
Minneapolis, Minnesota
May 25, 2023

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

Honorable Mayor and City Council
City of Maple Plain, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Plain, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 findings and responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo

Abdo
Minneapolis, Minnesota
May 25, 2023

Finding	Description
2022-001	**Limited Segregation of Duties**
Condition:	During our audit, we reviewed procedures over cash disbursements, cash receipts, payroll and utility billing and found the City to have limited segregation of duties related to these procedures.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	As a result of the limited number of staff, in the disbursement cycle, the Assistant to the City Administrator has access to the check stock, prepares the checks, enters transactions into the accounting system, and has access to the City's automated check signing machine. In the receipts cycle, the Assistant to the City Administrator maintains accounts receivable invoices, posts to the general ledger, prepares deposits and brings to the bank, and reconciles the bank statement. In the payroll cycle, the Assistant to the City Administrator has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the Assistant to the City Administrator prepares and mails customer billing statements, receives and endorses checks/currency, prepares and takes the deposit slip to the bank, and maintains the utility billing register.
Effect:	The existence of this limited segregation of duties increases the risk of fraud.
Recommendation:	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.

Management Response:

Management recognizes that it is not economically feasible to completely correct this finding, but is aware of the deficiency and is relying on continued oversight by management and the City Council to monitor this deficiency. In addition, we have already added approval processes wherein the City Council, City Administrator and the Assistant to the City Administrator are reviewing all payables. This issue will be further reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

Finding	Description
2022-002	**Preparation of Financial Statements**
Condition:	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements. This issue will be reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

Abdo

Lighting the path forward

City of Maple Plain

2022 Financial Statement Audit

Audit Results

Auditor's Opinion

Unmodified Opinion

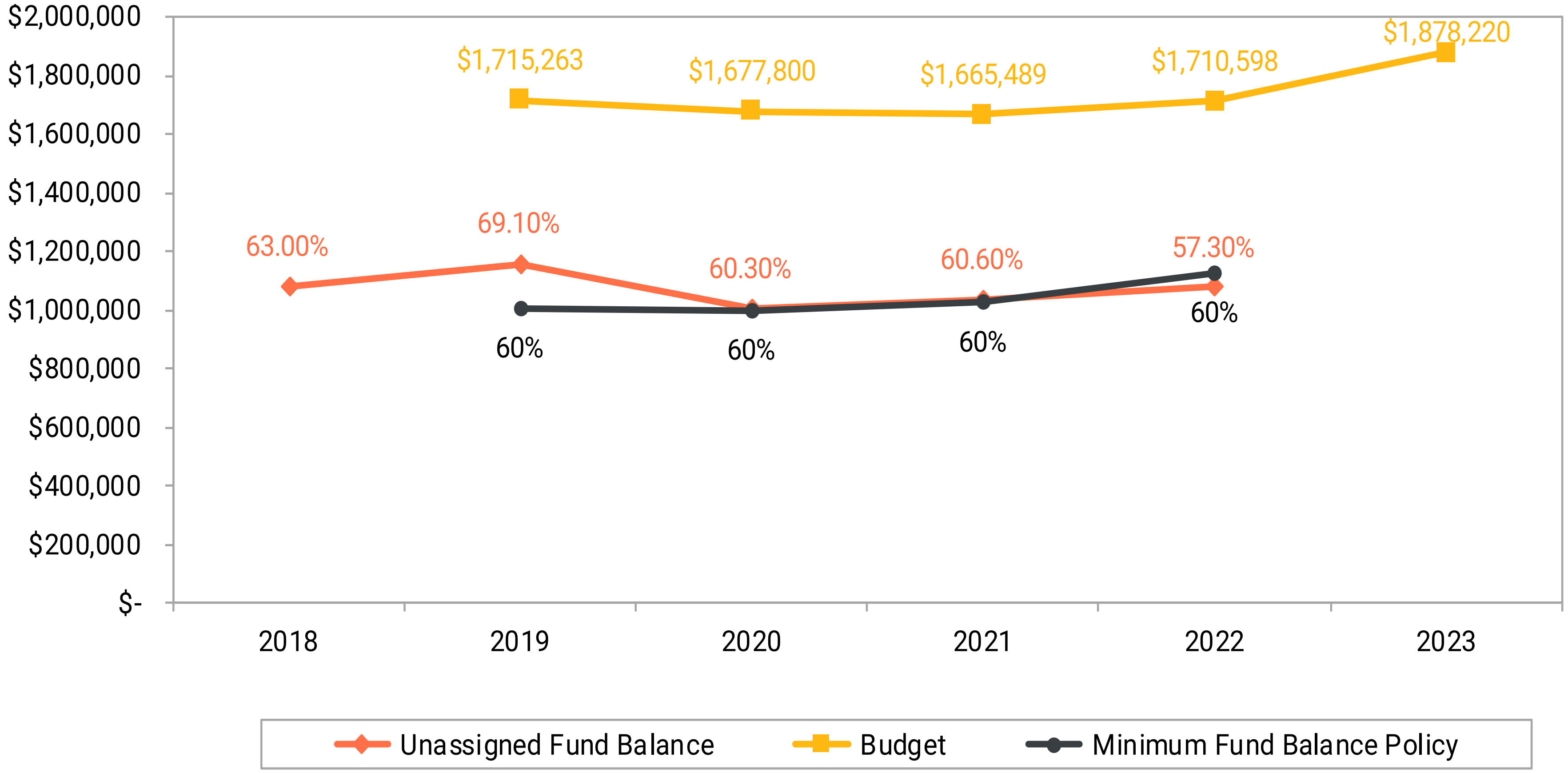
Minnesota Legal Compliance

No instances of noncompliance noted.

Audit Results
2022 Audit Findings

- Preparation of Financial Statements
  - Internal Control Finding
- Limited Segregation of Duties
  - Internal Control Finding

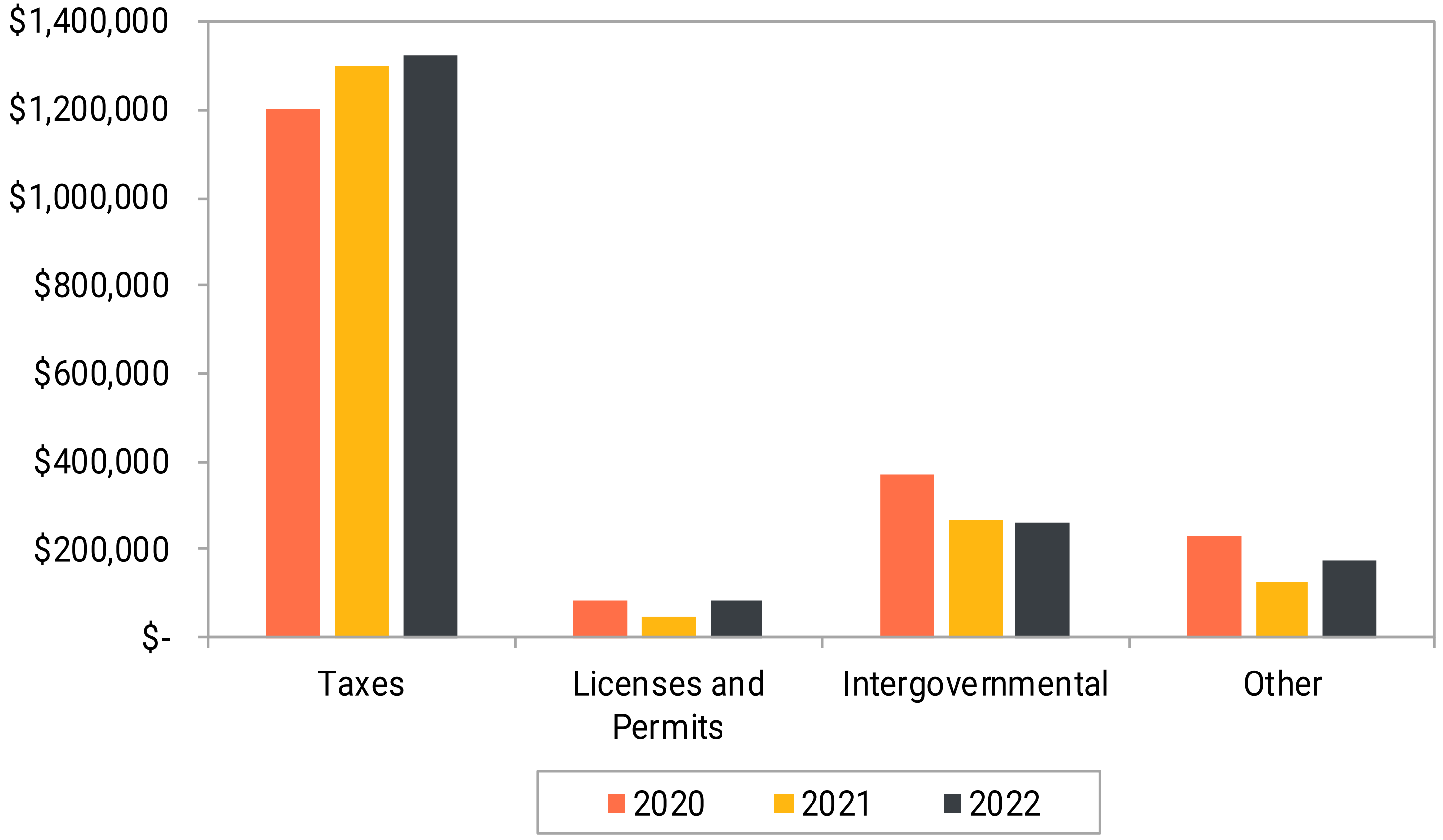
General Fund Fund Balances



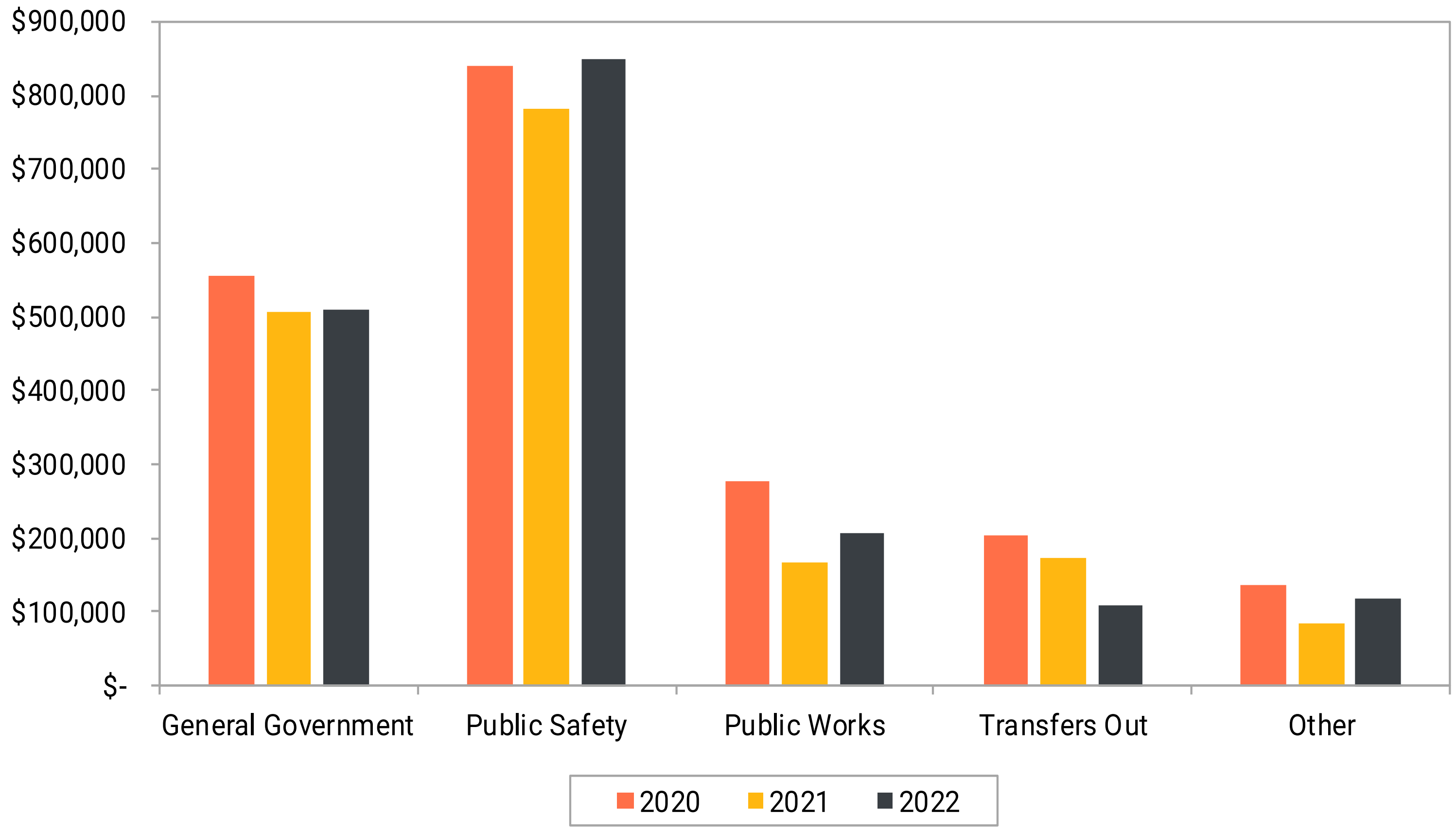
General Fund Budget to Actual

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 1,710,598	$ 1,848,148	$ 137,550
Expenditures	1,575,698	1,688,760	(113,062)
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,900	159,388	24,488
Other Financing Sources (Uses)			
Transfers out	(134,900)	(110,000)	24,900
Net Change in Fund Balances	-	49,388	49,388
Fund Balances, January 1	1,121,784	1,121,784	-
Fund Balances, December 31	$ 1,121,784	$ 1,171,172	$ 49,388

General Fund Revenues by Type

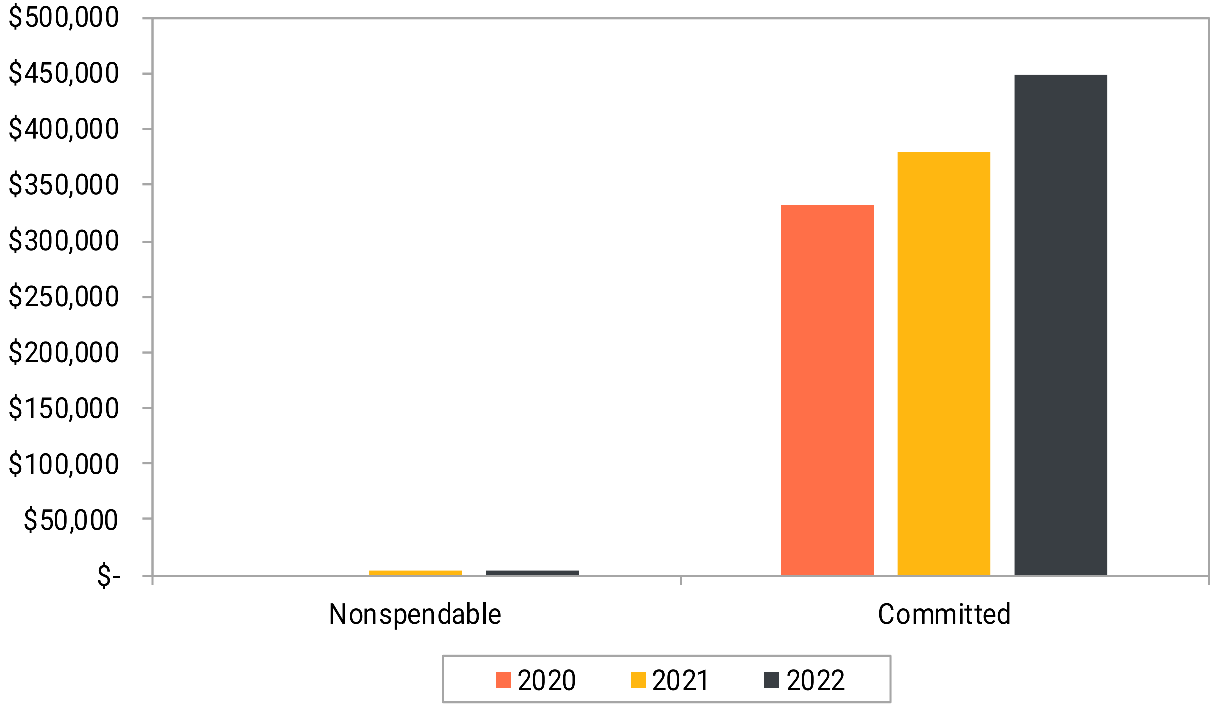


General Fund Expenditures by Type



Special Revenue Fund Balances

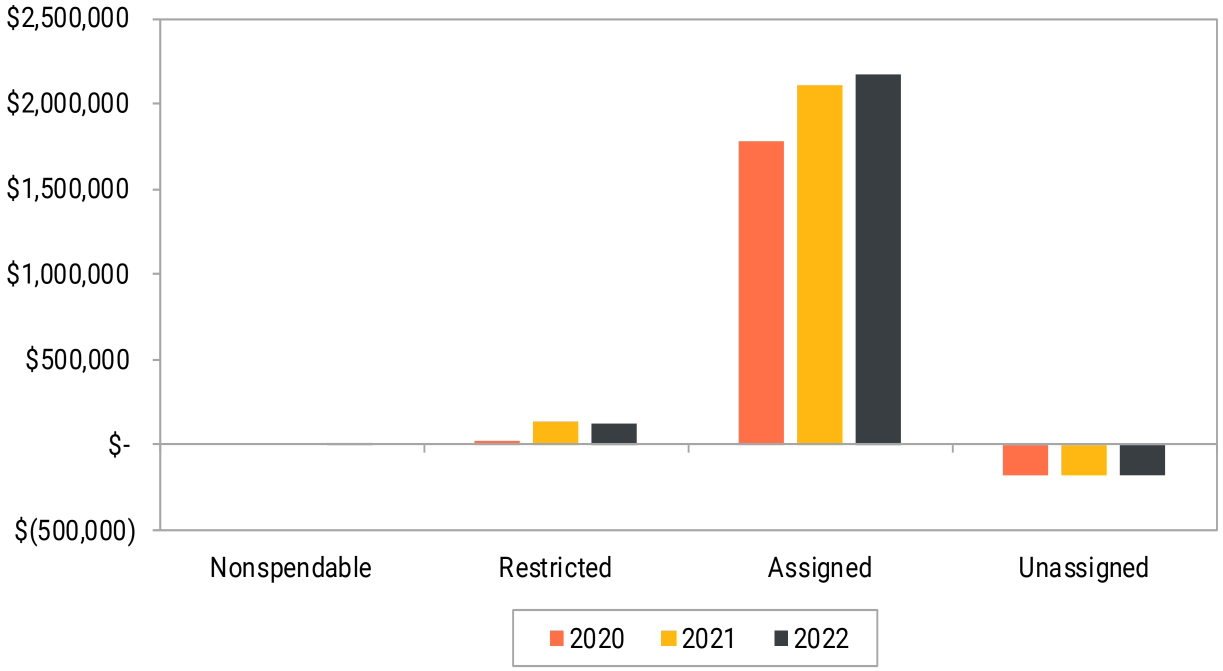
Fund		Fund Balances December 31, 2022	2021	Increase (Decrease)
Major				
Fire Partnership		$ 369,306	$ 292,694	$ 76,612
Nonmajor				
American Rescue Fund	$231,023 unspent funds	-	-	-
Economic Development		84,449	89,924	(5,475)
Total		$ 453,755	$ 382,618	$ 71,137



Capital Projects Fund Balances

Fund	Fund Balances December 31, 2022	Fund Balances December 31, 2021	Increase (Decrease)
Major			
Capital Project	$ 2,200,132	$ 2,125,544	$ 74,588
2022 Street Project	71,884	-	71,884
Nonmajor			
Downtown Development [(1)]	(179,729)	(179,729)	-
2021 Street Reconstruction	34,143	120,689	(86,546)
Total	$ 2,126,430	$ 2,066,504	$ 59,926

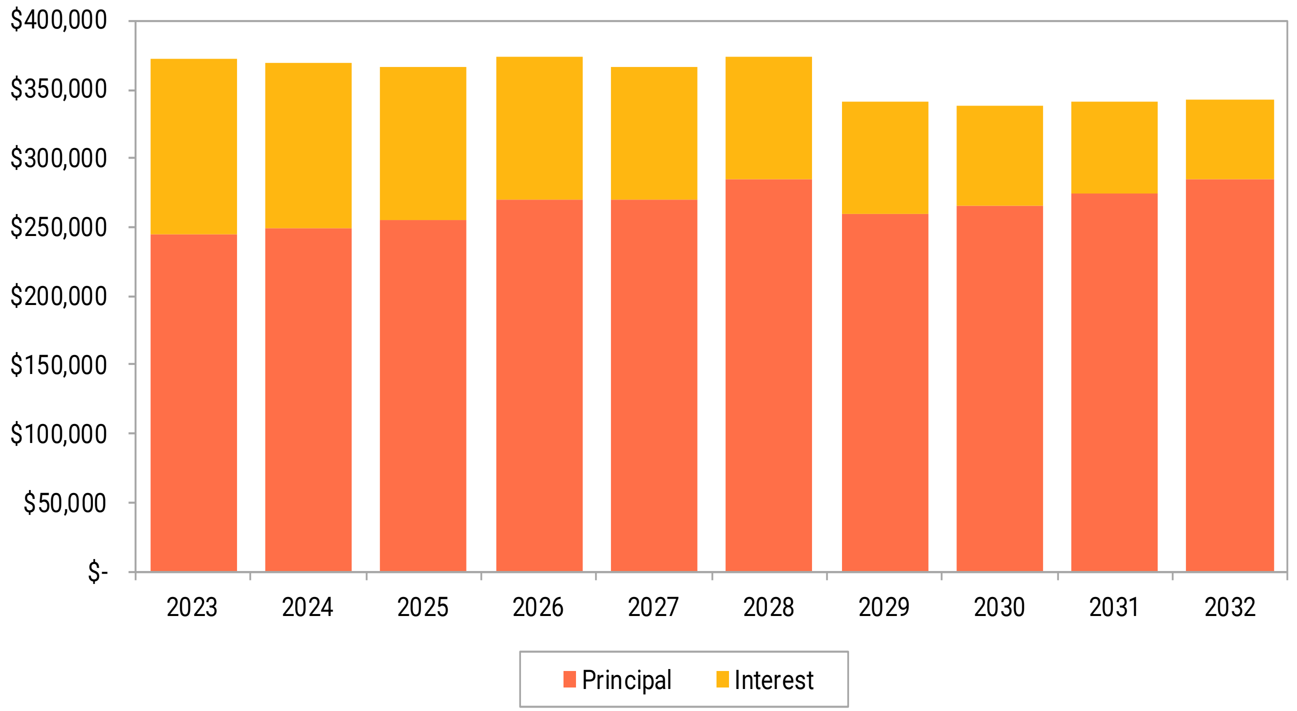
(1) The Downtown Development fund has had a negative cash balance for several years. We recommend the City establish a plan during 2023 to fund the deficit.



Abdo

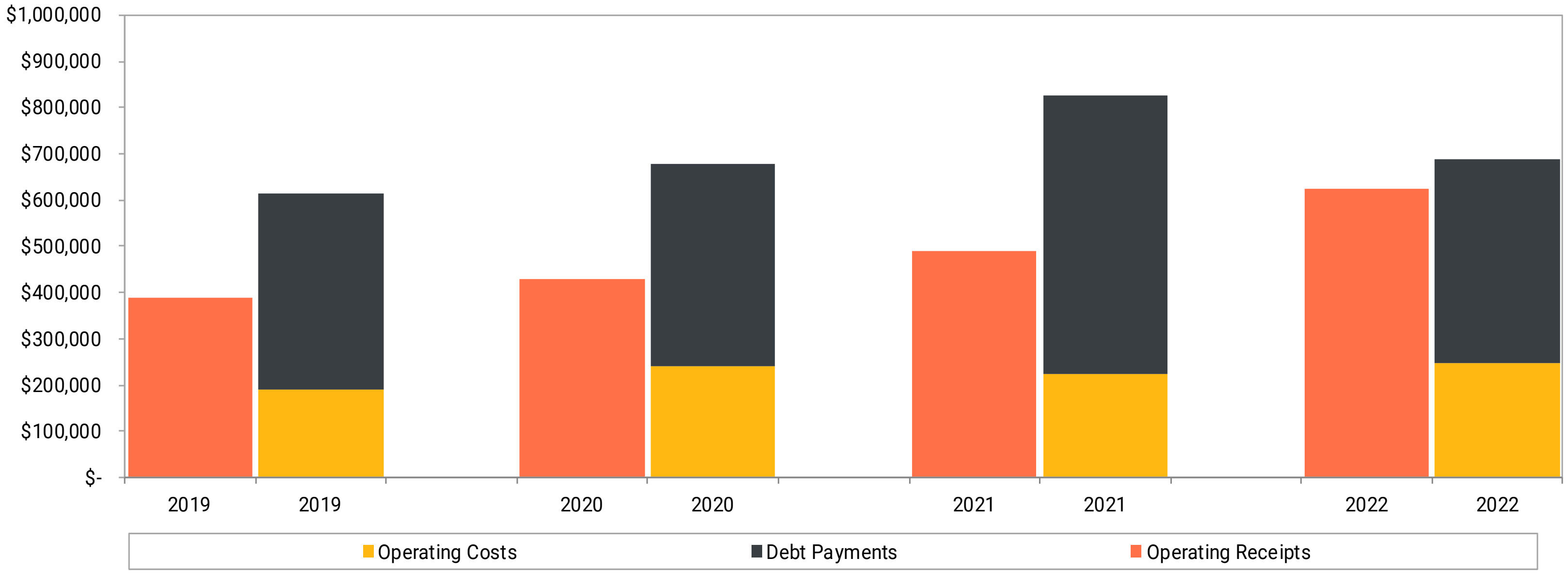
Debt Service Funds

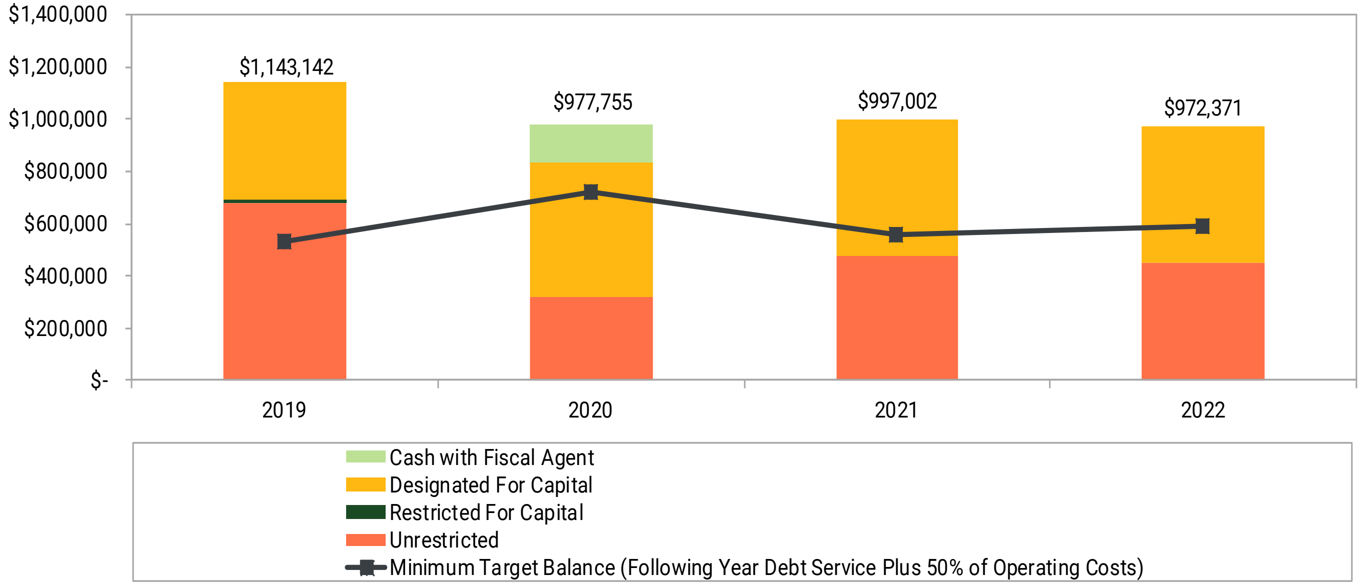
Debt Description	Maturity Date	December 31, 2022 Total Cash	Total Assets	Remaining Bonds
Major				
2014A G.O. Bonds	2/1/35	$ 213,400	$ 315,786	$ 1,060,000
2016A G.O. Bonds	2/1/37	92,912	177,013	560,000
2018A G.O. Bonds	2/1/39	128,515	296,261	895,000
2021A G.O. Bonds	2/1/42	205,420	392,123	970,000
2021B G.O Bonds	2/1/28	75,296	84,223	135,000
2021B G.O Bonds	2/1/28	40,462	40,462	40,000
2022A G.O. Bonds	2/1/38	16,244	16,244	815,000
Total		$ 772,249	$ 1,322,112	$ 4,475,000
			Total Remaining Interest Payments	$ 1,105,086



Water Fund

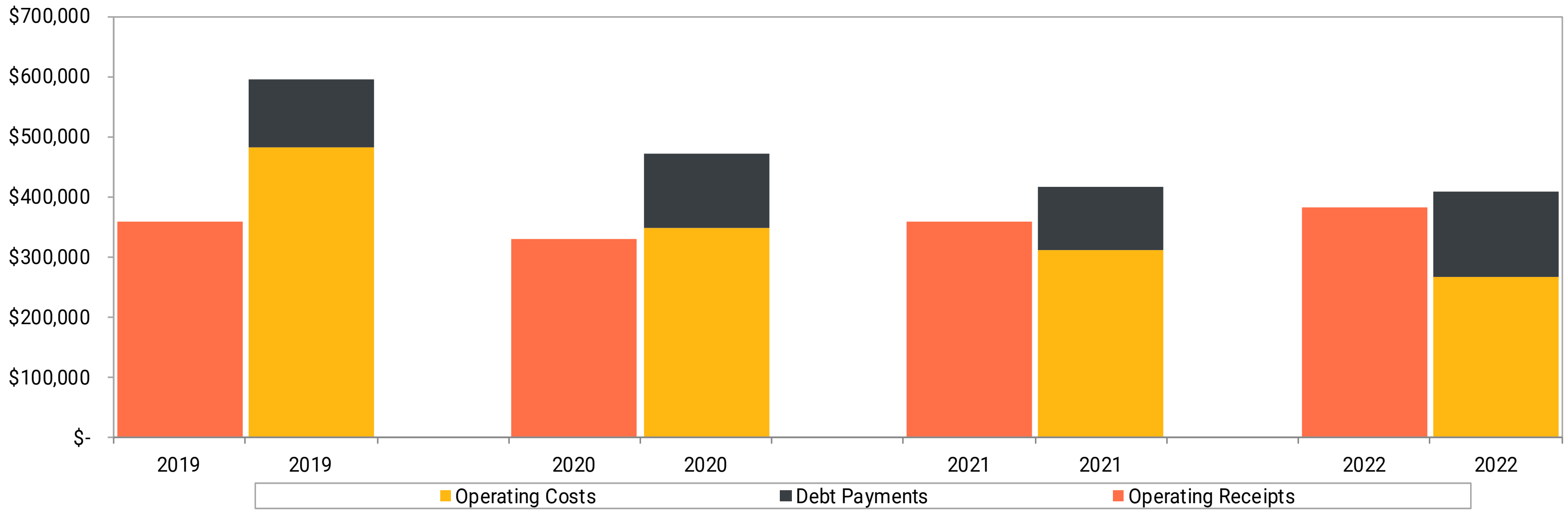
Cash Flows from Operations and Cash Balances

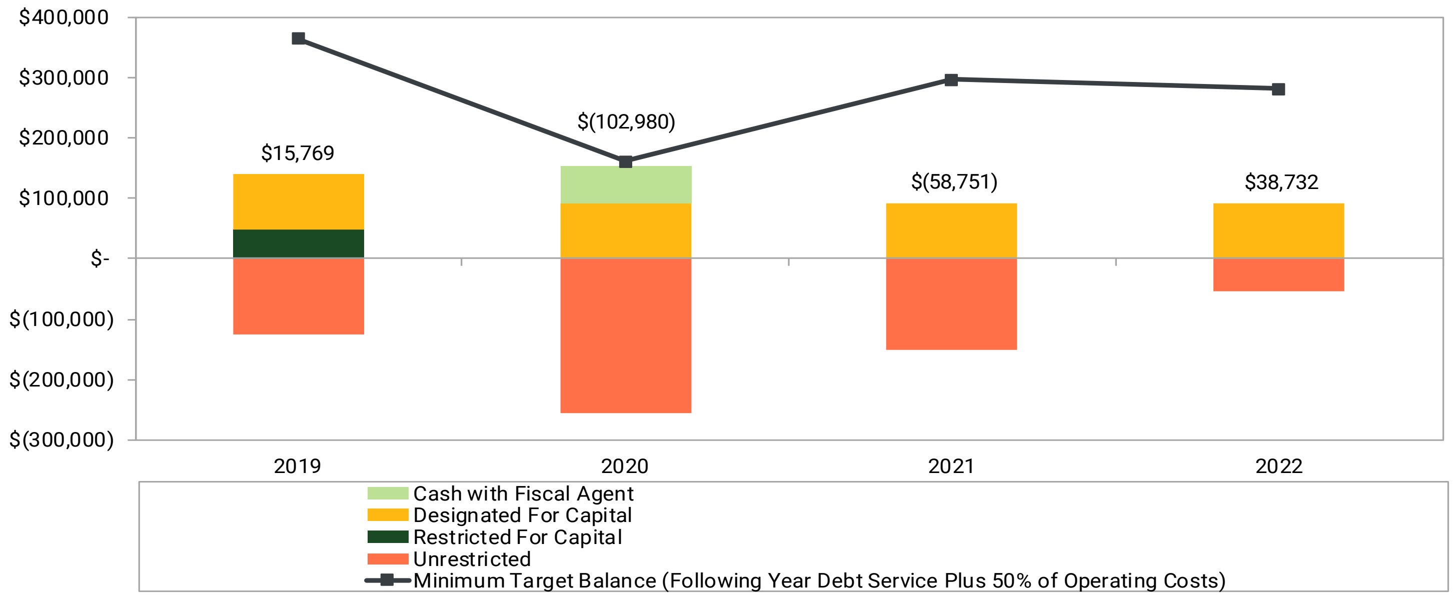




Sewer Fund

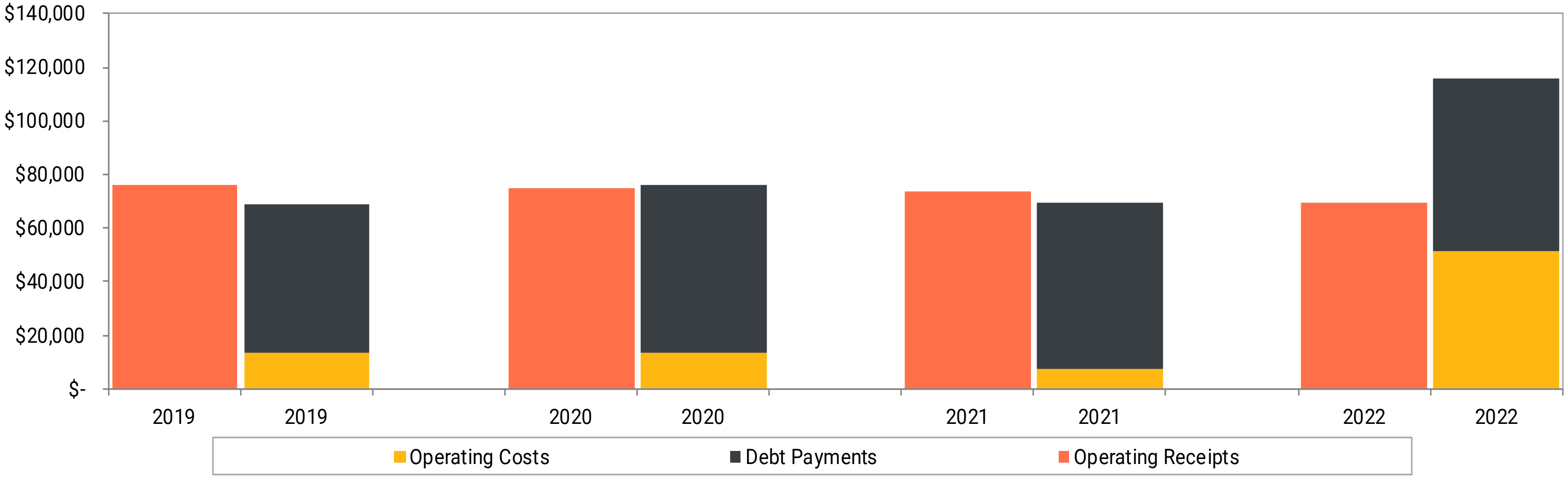
Cash Flows from Operations and Cash Balances

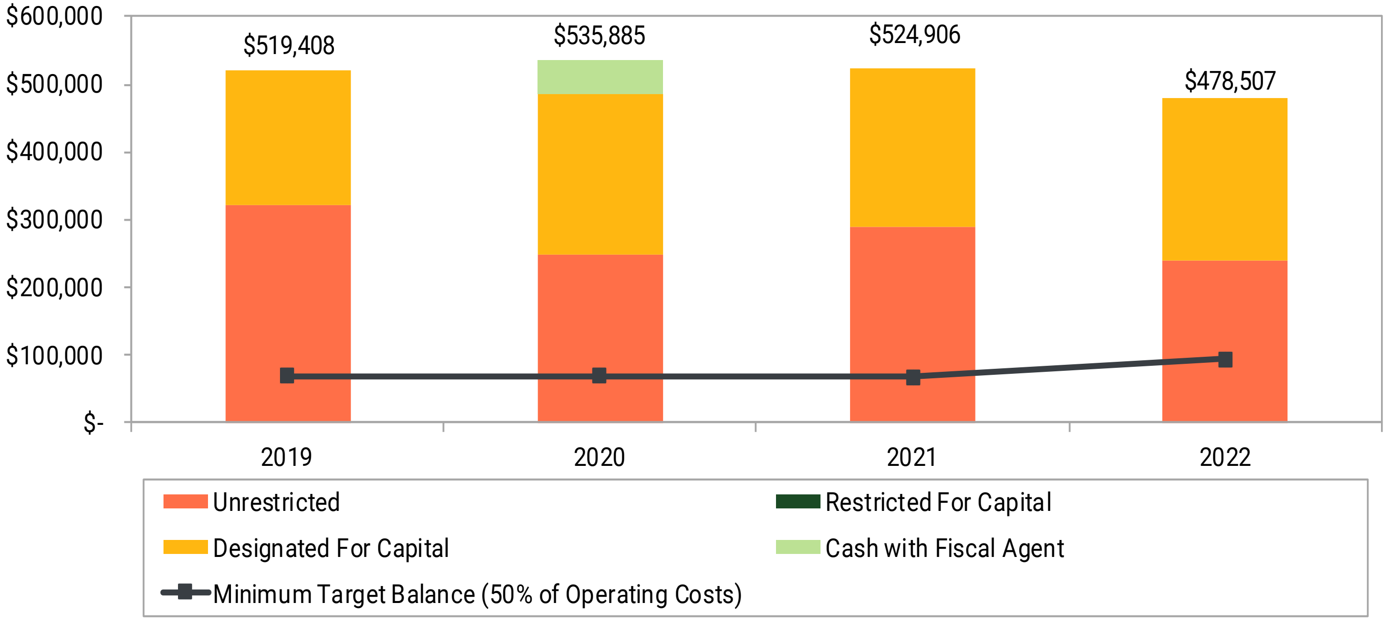




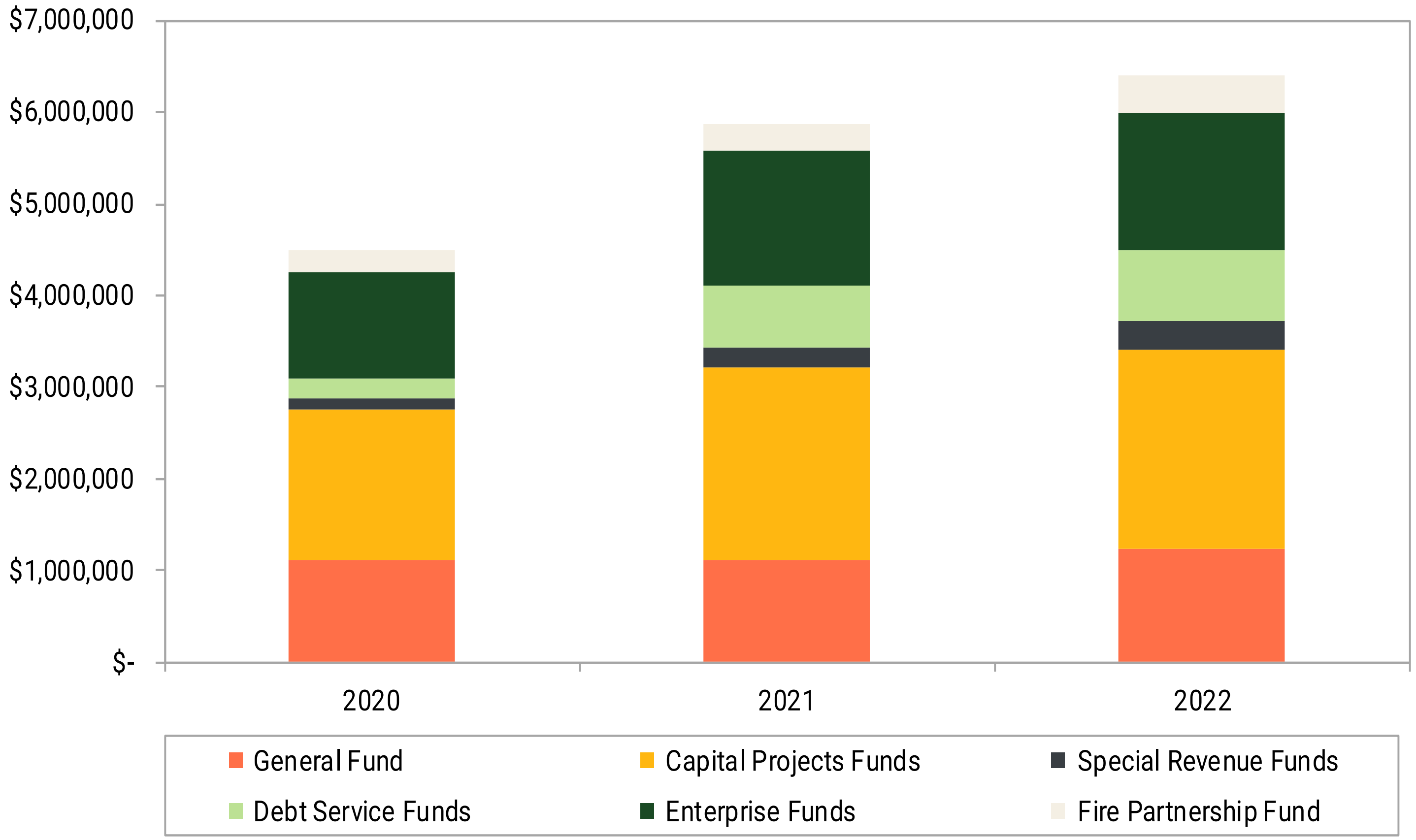
Storm Water Fund

Cash Flows from Operations and Cash Balances



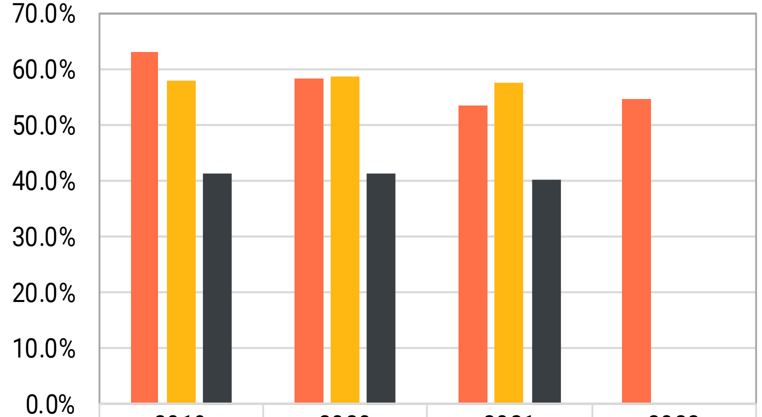


Cash and Investments Balances by Fund Type



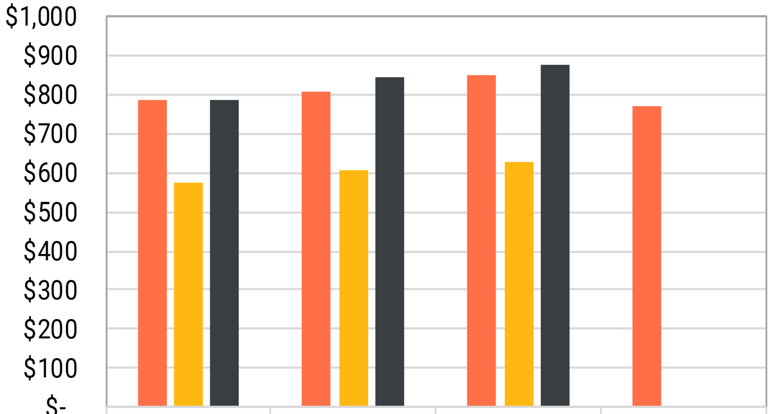
Taxes
Key Performance Indicators

Tax Rate



	2019	2020	2021	2022
City of Maple Plain	63.2%	58.6%	53.7%	54.7%
Class 4 Cities	58.1%	58.8%	57.6%	
Cities in Hennepin County	41.5%	41.5%	40.1%	

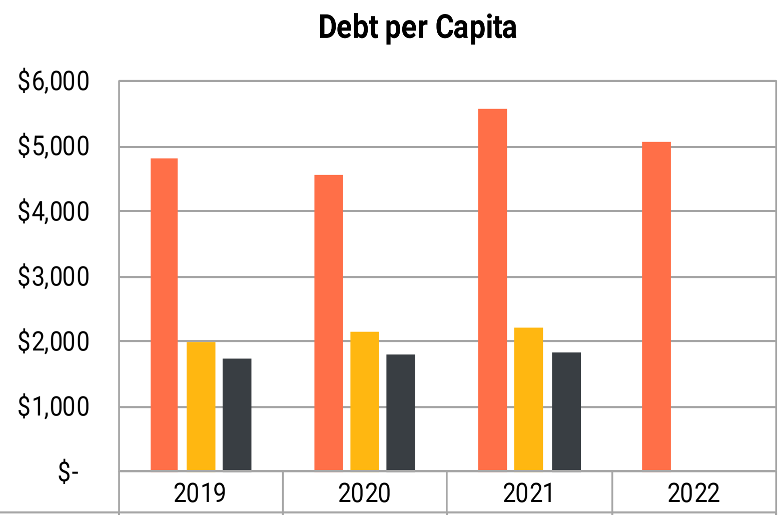
Taxes per Capita



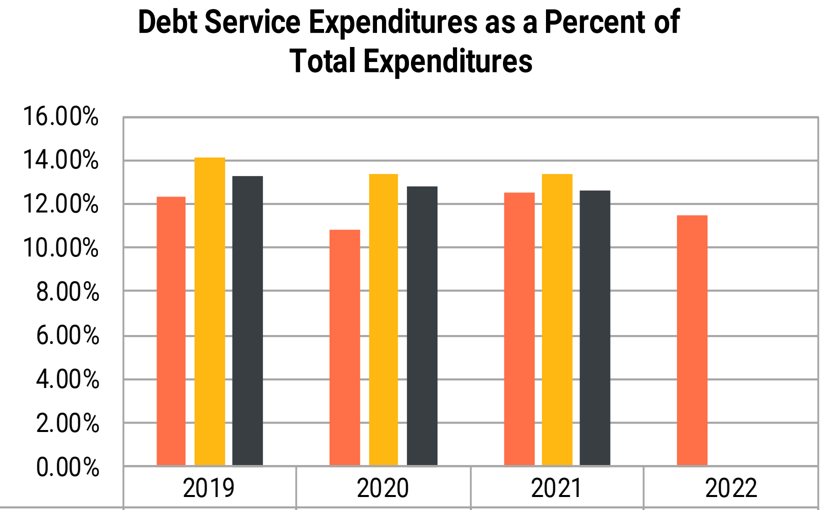
	2019	2020	2021	2022
City of Maple Plain	$786	$811	$850	$770
Class 4 Cities	$574	$606	$630	
Cities in Hennepin County	$785	$847	$878	

Debt

Key Performance Indicators



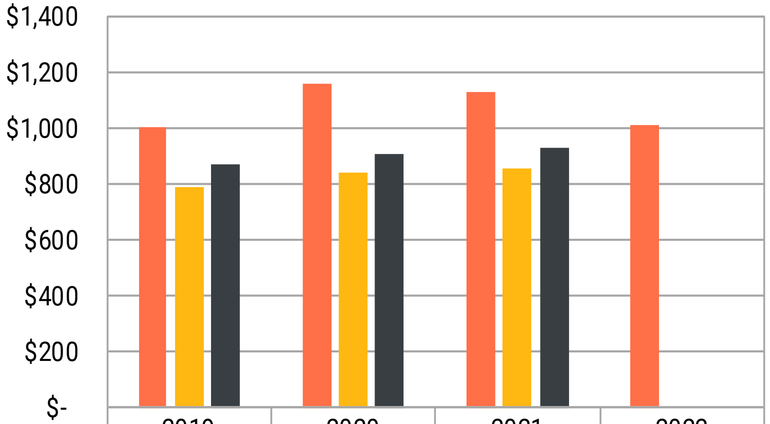
	2019	2020	2021	2022
City of Maple Plain	$4,835	$4,579	$5,577	$5,066
Class 4 Cities	$2,005	$2,150	$2,198	
Cities in Hennepin County	$1,751	$1,803	$1,817	



	2019	2020	2021	2022
City of Maple Plain	12.33%	10.81%	12.50%	11.50%
Class 4 Cities	14.16%	13.39%	13.38%	
Cities in Hennepin County	13.23%	12.80%	12.62%	

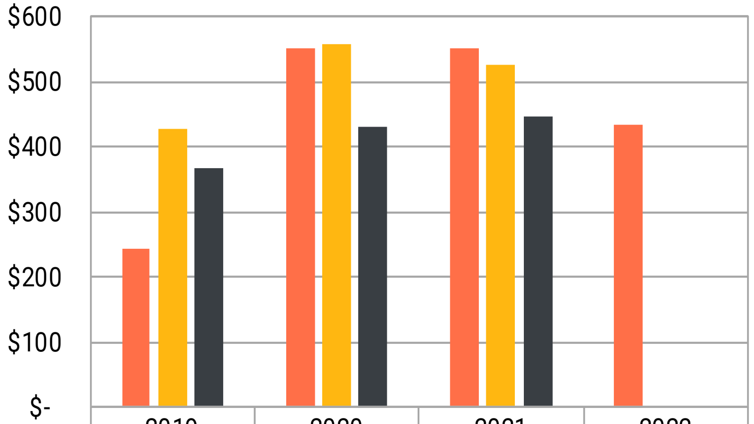
Expenditures
Key Performance Indicators

Current Expenditure per Capita



	2019	2020	2021	2022
City of Maple Plain	$1,006	$1,165	$1,130	$1,011
Class 4 Cities	$791	$839	$856	
Cities in Hennepin County	$872	$913	$929	

Capital Expenditure per Capita



	2019	2020	2021	2022
City of Maple Plain	$243	$552	$552	$435
Class 4 Cities	$426	$558	$527	
Cities in Hennepin County	$369	$430	$447	

Your Abdo Team

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Associate

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Jason Fagan

Intern

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Executive Governance Summary

City of Maple Plain

Maple Plain, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

May 25, 2023

Management, Honorable Mayor and City Council
City of Maple Plain, 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 Maple Plain, Minnesota (the City), for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 December 21, 2022. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 findings and responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

2022-001 **Limited Segregation of Duties**

Condition: During our audit, we reviewed procedures over cash disbursements, cash receipts, payroll and utility billing and found the City to have limited segregation of duties related to these procedures.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Cause: As a result of the limited number of staff, in the disbursement cycle, the Assistant to the City Administrator has access to the check stock, prepares the checks, enters transactions into the accounting system, and has access to the City's automated check signing machine. In the receipts cycle, the Assistant to the City Administrator maintains accounts receivable invoices, posts to the general ledger, prepares deposits and brings to the bank, and reconciles the bank statement. In the payroll cycle, the Assistant to the City Administrator has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the Assistant to the City Administrator prepares and mails customer billing statements, receives, and endorses checks/currency, prepares and takes the deposit slip to the bank, and maintains the utility billing register.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Recommendation: While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.

Management Response:

Management recognizes that it is not economically feasible to completely correct this finding, but is aware of the deficiency and is relying on continued oversight by management and the City Council to monitor this deficiency. In addition, we have already added approval processes wherein the City Council, City Administrator and the Assistant to the City Administrator are reviewing all payables. This issue will be further reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

2022-002 **Preparation of Financial Statements**

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements. This issue will be reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

Compliance and Other Matters

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

Difficulties Encountered in Performing the Audit

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

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. The City changed accounting policies during the year ended June 30, 2022 related to the accounting and financial reporting for lease activities (GASB 87). We noted no transactions entered into by the City 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 most sensitive estimates affecting the financial statements are included below:

- Management's estimate of the capital asset basis and depreciation estimates is based on estimated or actual historical cost and the estimated useful lives of capital assets.

- The estimate of the equity interest in the joint venture is based on the percentage of equity as noted in the joint powers agreement.

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

- Management's estimates of its lease receivable are based on several factors including, but not limited to, a discount rate based on the City's estimated incremental borrowing rate.

- Management's estimates of its lease liability and intangible right to use assets are based on several factors including, but not limited to, a discount rate based on the City's estimated incremental borrowing rate.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit or the financial statements taken as a whole.

We assisted in preparing a number of year end accounting entries. These were necessary to adjust the City's records at year end to correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year end entries is completed internally.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 May 25, 2023.

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 City'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 (RSI) (Management's Discussion and Analysis, the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios), which is information 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 (combining and individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this 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.

We were not engaged to report on the introductory section which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: (1)

GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Summary

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government’s financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government’s PPPs and evaluate a government’s future obligations and assets resulting from PPPs.

Future Accounting Standard Changes (Continued)

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*

Summary

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

Under this Statement, a government generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, - which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Future Accounting Standard Changes (Continued)

GASB Statement No. 98 - *The Annual Comprehensive Financial Report*

Summary

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 99 - *Omnibus 2022*

Summary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

- Disclosures related to nonmonetary transactions

- Pledges of future revenues when resources are not received by the pledging government

Future Accounting Standard Changes (Continued)

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Terminology used in Statement 53 to refer to resource flows statements.

Effective Date and Transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 100 - *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*

Summary

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Future Accounting Standard Changes (Continued)

GASB Statement No. 101 - *Compensated Absences*

Summary

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences

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Restriction on Use

This communication is intended solely for the information and use of management, the City Council, others within the City, and the Minnesota Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo

Abdo
Minneapolis, Minnesota
May 25, 2023

Executive Governance Summary

City of Maple Plain

Maple Plain, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

May 25, 2023

Management, Honorable Mayor and City Council
City of Maple Plain, 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 Maple Plain, Minnesota (the City), for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 December 21, 2022. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 findings and responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

2022-001 Limited Segregation of Duties

Condition: During our audit, we reviewed procedures over cash disbursements, cash receipts, payroll and utility billing and found the City to have limited segregation of duties related to these procedures.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Cause: As a result of the limited number of staff, in the disbursement cycle, the Assistant to the City Administrator has access to the check stock, prepares the checks, enters transactions into the accounting system, and has access to the City's automated check signing machine. In the receipts cycle, the Assistant to the City Administrator maintains accounts receivable invoices, posts to the general ledger, prepares deposits and brings to the bank, and reconciles the bank statement. In the payroll cycle, the Assistant to the City Administrator has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the Assistant to the City Administrator prepares and mails customer billing statements, receives, and endorses checks/currency, prepares and takes the deposit slip to the bank, and maintains the utility billing register.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Recommendation: While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.

Management Response:

Management recognizes that it is not economically feasible to completely correct this finding, but is aware of the deficiency and is relying on continued oversight by management and the City Council to monitor this deficiency. In addition, we have already added approval processes wherein the City Council, City Administrator and the Assistant to the City Administrator are reviewing all payables. This issue will be further reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

2022-002 **Preparation of Financial Statements**

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements. This issue will be reviewed in our upcoming assessment of our Budget & Fiscal Management Policies.

Compliance and Other Matters

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

Difficulties Encountered in Performing the Audit

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

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. The City changed accounting policies during the year ended June 30, 2022 related to the accounting and financial reporting for lease activities (GASB 87). We noted no transactions entered into by the City 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 most sensitive estimates affecting the financial statements are included below:

- Management's estimate of the capital asset basis and depreciation estimates is based on estimated or actual historical cost and the estimated useful lives of capital assets.

- The estimate of the equity interest in the joint venture is based on the percentage of equity as noted in the joint powers agreement.

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

- Management's estimates of its lease receivable are based on several factors including, but not limited to, a discount rate based on the City's estimated incremental borrowing rate.

- Management's estimates of its lease liability and intangible right to use assets are based on several factors including, but not limited to, a discount rate based on the City's estimated incremental borrowing rate.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit or the financial statements taken as a whole.

We assisted in preparing a number of year end accounting entries. These were necessary to adjust the City's records at year end to correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year end entries is completed internally.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 May 25, 2023.

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 City'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 (RSI) (Management's Discussion and Analysis, the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios), which is information 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 (combining and individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this 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.

We were not engaged to report on the introductory section which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: [1]

GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Summary

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Future Accounting Standard Changes (Continued)

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*

Summary

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

Under this Statement, a government generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, - which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Future Accounting Standard Changes (Continued)

GASB Statement No. 98 - *The Annual Comprehensive Financial Report*

Summary

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 99 - *Omnibus 2022*

Summary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

- Disclosures related to nonmonetary transactions

- Pledges of future revenues when resources are not received by the pledging government

Future Accounting Standard Changes (Continued)

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Terminology used in Statement 53 to refer to resource flows statements.

Effective Date and Transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 100 - *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*

Summary

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Future Accounting Standard Changes (Continued)

GASB Statement No. 101 - *Compensated Absences*

Summary

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences

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Restriction on Use

This communication is intended solely for the information and use of management, the City Council, others within the City, and the Minnesota Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo

Abdo
Minneapolis, Minnesota
May 25, 2023