

**CITY OF BRAHAM
BRAHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

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

CITY OF BRAHAM, MINNESOTA

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CITY OF BRAHAM, MINNESOTA

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patricia Carlson	Mayor	December 31, 2022
Robert Knowles	Council Member	December 31, 2022
Vicky Ethen	Council Member	December 31, 2022
Seth Zeltinger	Council Member	December 31, 2024
Jeremy Kunshier	Council Member	December 31, 2024

APPOINTED

<u>Name</u>	<u>Title</u>
Rachel Kytonen	City Administrator
Dan Eklund	Street Superintendent
Kevin Stahl	Police Chief
Ross Benzen	Fire Chief
Joel Jamnik	City Attorney

RESERVED FOR AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Braham, 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

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

- (1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,524,461 (net position). Of this amount, \$437,422 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- (2) Capital assets, less depreciation, total \$8,852,484, representing a broad base of city-wide infrastructure.
- (3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$889,822. \$142,475 of this total amount, over 16%, is available for use within the City's designations.
- (4) The tax capacity of the City increased by \$68,279, or 7%.
- (5) The City had a net decrease in the existing bonded indebtedness in the governmental activities of approximately \$220,000.
- (6) The General fund exceeded budget projections by \$40,993

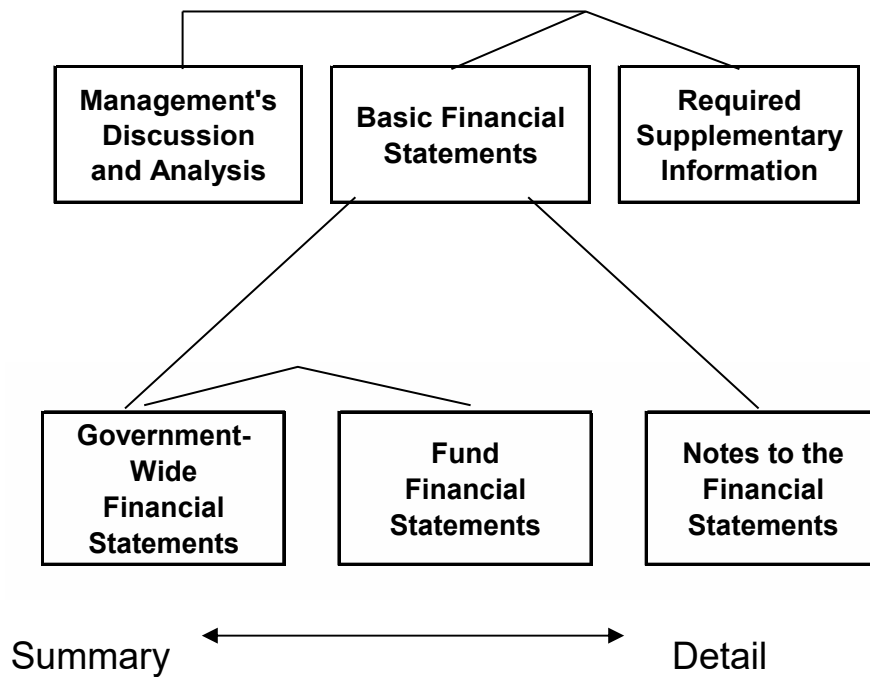
CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



CITY OF BRAHAM, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

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

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

	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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement 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 asset included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year; regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the City include the water and sewer utilities as well as the municipal liquor store.

The governmental activities of the City include not only general government, public safety, public works, parks and recreation, economic development, and interest on long-term debt (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for the *component unit* is reported blended with the financial information presented for the primary government.

The government wide financial statements can be found on pages 19 through 21 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund and Debt Service 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 elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 22 - 26 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 governmental-wide financial statements.

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

The basic Proprietary fund financial statements can be found on pages 27 - 29 of this report.

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 30 - 63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 65 of this report.

Other Information

The combining statements and schedules 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 74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,524,461 at the close of the most recent fiscal year.

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

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

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

City of Braham's Summary of Net Position

	Governmental Activities			Business-type Activities		
	<u>2022</u>	<u>2021</u>	Increase (Decrease)	<u>2022</u>	<u>2021</u>	Increase (Decrease)
<i>Assets</i>						
Current and other assets	\$ 1,309,106	\$ 1,291,560	\$ 17,546	\$ 1,048,078	\$ 867,602	180,476
Capital assets	3,469,935	3,617,314	(147,379)	5,482,549	5,462,152	20,397
	<u>4,779,041</u>	<u>4,908,874</u>	<u>(129,833)</u>	<u>6,530,627</u>	<u>6,329,754</u>	<u>200,873</u>
<i>Deferred Outflows of Resources</i>						
Pension plan deferments	<u>1,431,294</u>	<u>709,757</u>	<u>721,537</u>	<u>170,219</u>	<u>139,720</u>	<u>30,499</u>
<i>Liabilities</i>						
Current liabilities	367,597	300,790	66,807	262,994	276,634	(13,640)
Long-term liabilities	3,050,595	2,107,158	943,437	1,838,897	1,803,863	35,034
	<u>3,418,192</u>	<u>2,407,948</u>	<u>1,010,244</u>	<u>2,101,891</u>	<u>2,080,497</u>	<u>21,394</u>
<i>Deferred Inflows of Resources</i>						
Pension plan deferments	671,384	839,562	(168,178)	132,053	160,244	(28,191)
Lease deferments	-	-	-	63,200	-	63,200
	<u>671,384</u>	<u>839,562</u>	<u>(168,178)</u>	<u>195,253</u>	<u>160,244</u>	<u>35,009</u>
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	<u>\$ 2,120,759</u>	<u>\$ 2,371,121</u>	<u>\$ (250,362)</u>	<u>\$ 4,403,702</u>	<u>\$ 4,228,733</u>	<u>174,969</u>
<i>Net Position</i>						
Net Investment in						
Capital Assets	\$ 1,716,691	\$ 1,717,782	(1,091)	\$ 3,680,382	\$ 3,776,150	(95,768)
Restricted	689,966	727,442	(37,476)	-	-	-
Unrestricted	(285,898)	(74,103)	(211,795)	723,320	452,583	270,737
Total net position	<u>\$ 2,120,759</u>	<u>\$ 2,371,121</u>	<u>\$ (250,362)</u>	<u>\$ 4,403,702</u>	<u>\$ 4,228,733</u>	<u>\$ 174,969</u>

Governmental activities experienced a decrease in total assets of \$129,833. This was predominantly due to the depreciation of the governmental activities' capital assets. As the result of cash increasing \$73,397 and the municipal liquor store inventory increasing \$31,623, the business-type activities experienced an increase in total assets of \$199,767. Total liabilities were up for governmental activities because of increases in net pension liabilities for the general employees and police and fire plan. The business-type activities total liabilities increased \$21,394 because of the increases in net pension liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$437,422 may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

A condensed version of the Statement of Activities for the year ended December 31, 2022, follows:

City of Braham's Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>2022</u>	<u>2021</u>	Increase (Decrease)	<u>2022</u>	<u>2021</u>	Increase (Decrease)
<i>Revenues:</i>						
Program revenues:						
Charges for services	\$ 96,057	\$ 94,383	\$ 1,674	\$ 2,537,203	\$ 2,653,572	\$ (116,369)
Operating grants and contributions	67,507	81,075	(13,568)	-	-	-
Capital grants and contributions	29,833	155,473	(125,640)	-	-	-
General revenues:						
Property taxes	849,016	768,434	80,582	-	-	-
Intergovernmental	637,704	674,594	(36,890)	-	-	-
Other sources	94,674	206,021	(111,347)	149,079	144,356	4,723
Total Revenue	<u>1,774,791</u>	<u>1,979,980</u>	<u>(205,189)</u>	<u>2,686,282</u>	<u>2,797,928</u>	<u>(111,646)</u>
<i>Expenses:</i>						
General Government	306,039	312,501	(6,462)	-	-	-
Public Safety	1,074,513	881,706	192,807	-	-	-
Public Works	579,207	492,531	86,676	-	-	-
Parks and Recreation	23,740	130,798	(107,058)	-	-	-
Economic development	62,956	9,508	53,448	-	-	-
Water	-	-	-	227,946	327,887	(99,941)
Sewer	-	-	-	383,439	677,081	(293,642)
Liquor	-	-	-	1,839,928	1,745,846	94,082
Interest on long-term debt	38,698	76,381	(37,683)	-	-	-
Total Expenses	<u>2,085,153</u>	<u>1,903,425</u>	<u>181,728</u>	<u>2,451,313</u>	<u>2,750,814</u>	<u>(299,501)</u>
Transfer	<u>60,000</u>	<u>105,000</u>	<u>(45,000)</u>	<u>(60,000)</u>	<u>(105,000)</u>	<u>45,000</u>
Change in Net Position	(250,362)	181,555	(431,917)	174,969	(57,886)	232,855
Net position - January 1	<u>2,371,121</u>	<u>2,189,566</u>	<u>181,555</u>	<u>4,228,733</u>	<u>4,286,619</u>	<u>(57,886)</u>
Net position - December 31	<u>\$ 2,120,759</u>	<u>\$ 2,371,121</u>	<u>\$ (250,362)</u>	<u>\$ 4,403,702</u>	<u>\$ 4,228,733</u>	<u>\$ 174,969</u>

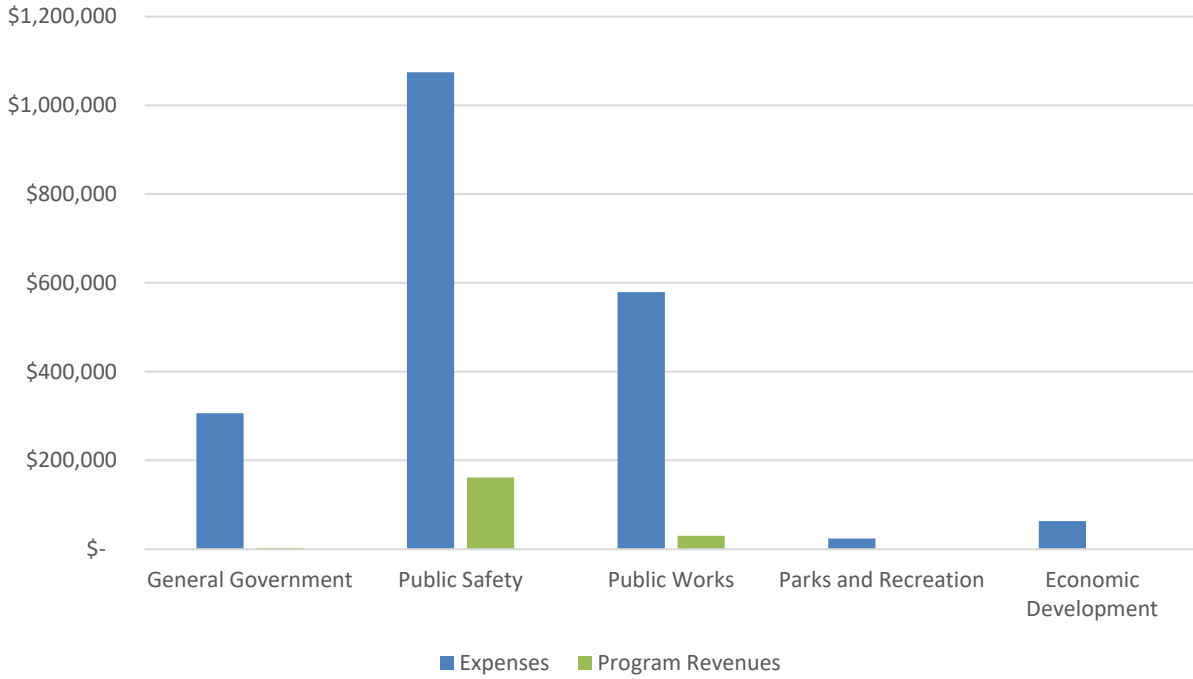
Governmental activities had an increase in net position of \$250,362 during 2022, this was the result in total expenses increasing \$181,728 while revenues fell \$205,189. The largest increase in expense was noted in public safety from the police and fire fund seeing an increase net pension liability of \$917,535 over 2021. Capital grants and other revenue sources made up the biggest differences from 2021.

The business-type activities increased the City's net position by \$174,969, this is an increase of \$232,855 over prior year's change in net position. This was due primarily to increased repairs and maintenance in the Sewer fund for cleaning and televising the sewer lines in the city in 2021.

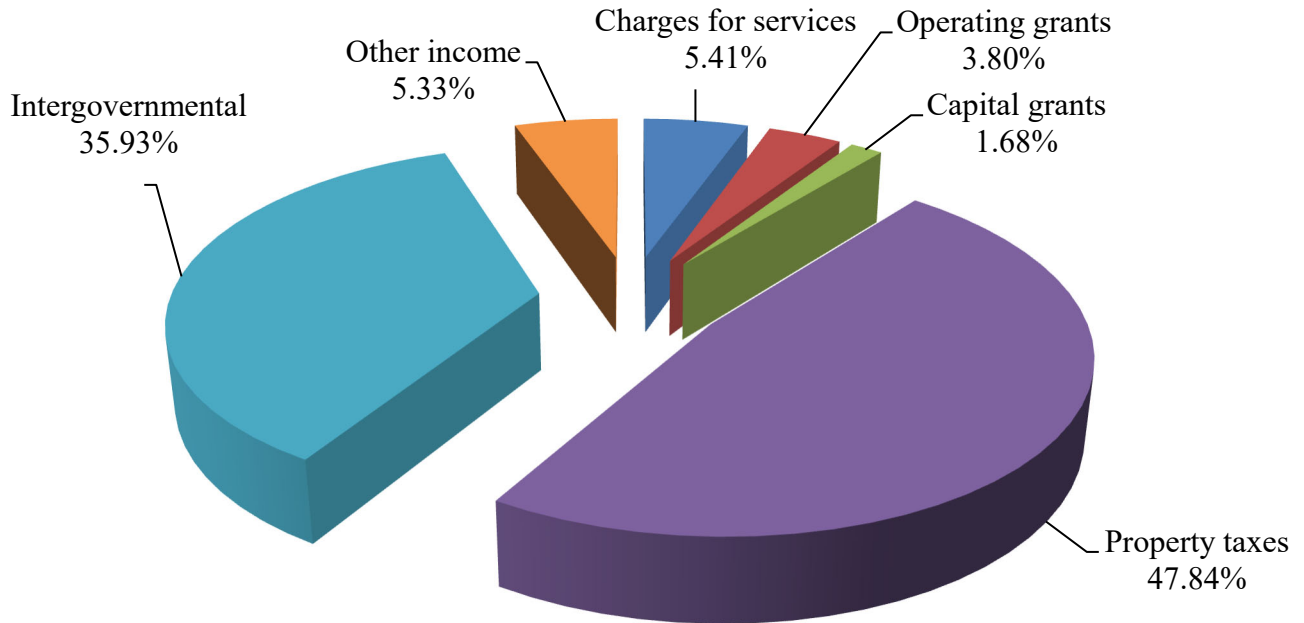
CITY OF BRAHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2022

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

Expenses and Program Revenues – Governmental Activities



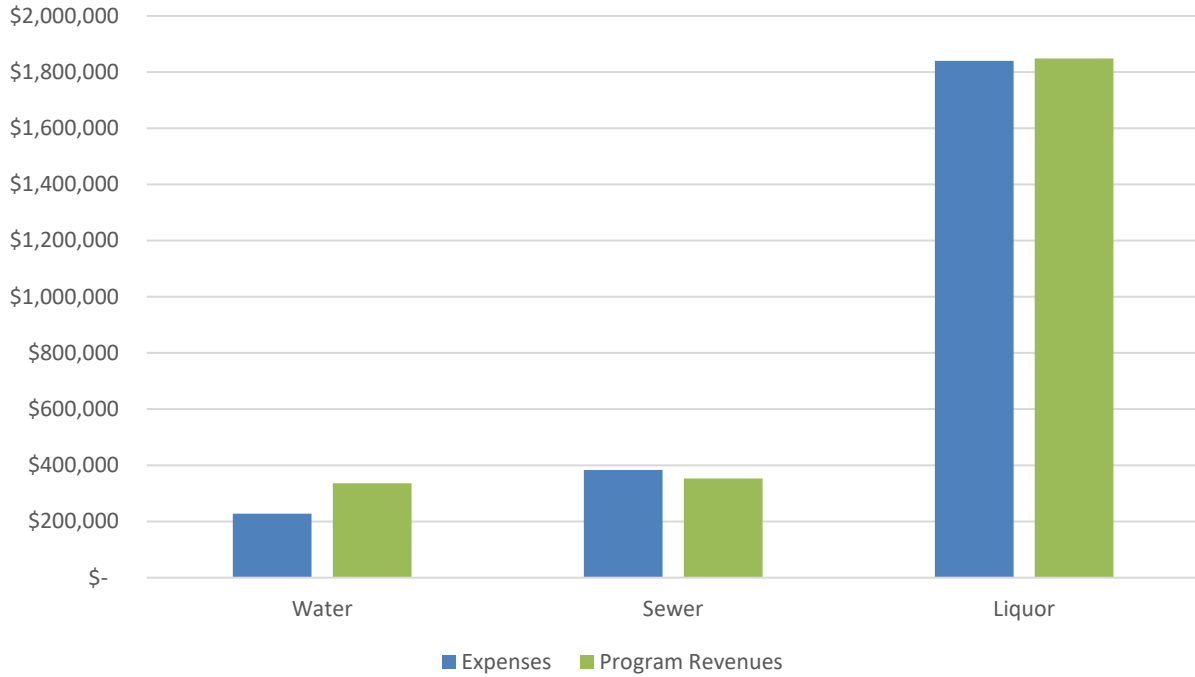
Revenues by Source – Governmental Activities



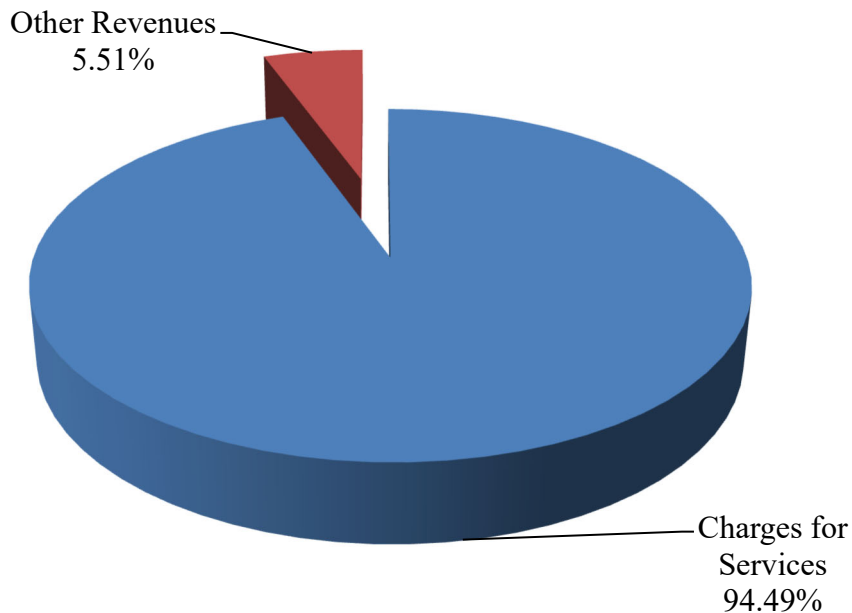
CITY OF BRAHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2022

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

Expenses and Program Revenues – Business-type Activities



Revenue by Source – Business-type Activities



CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

FUND FINANCIAL ANALYSIS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$889,822. The unreserved fund balance constitutes \$116,595 of the total combined ending fund balance. The remainder of the fund balance is reserved and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of \$773,227.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$125,017. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents (2.3) % of the total expenditures. The General fund balance increased \$547, during the year, primarily due to transfers from the municipal liquor store and the sale of capital assets.

The Debt Service funds had a fund balance of \$256,724 at the end of the year. The fund was established to properly account for the resources necessary to meet debt service requirements.

Proprietary Funds

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

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

Water fund	\$ 303,325
Sewer fund	\$ 274,869
Liquor fund	\$ 145,126

BUDGETARY HIGHLIGHTS

General Fund

The City increased its general tax levy collectible in 2022 by 21.1% from the 2021 levy. Local government aid from the state has stabilized and with budget surpluses at the state level the last few years it appears that source of revenue is in good shape. There were budget amendments during the year, and the City had a deficit budget.

Revenues were over the budgeted sources by \$20,158, with the following significant variances:

- Licenses and permits were over budget by \$10,595
- Special assessments were under budget by \$14,000
- Other revenues were over budget by \$37,329

Expenditures were over the budgeted appropriations by \$58,831, with the following significant variances:

- Public safety was \$55,435 over budget
- Public safety capital outlay was \$73,771 over budget

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$5,397,073 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- 2012 Aquatec Jet/Vac unit
- Motorola radios
- Street patch trailer

City of Braham's Capital Assets

	Governmental Activities			Business-type Activities		
	<u>2022</u>	<u>2021</u>	Increase (Decrease)	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Land and Improvements	\$ 98,002	\$ 98,002	\$ -	\$ 154,318	\$ 154,318	\$ -
Buildings	1,059,455	1,059,455	-	4,405,137	4,405,137	-
Infrastructure	3,073,486	3,073,486	-	2,756,319	2,756,319	-
Equipment	2,178,855	2,241,327	(62,472)	955,231	780,231	175,000
Total	<u>\$ 6,409,798</u>	<u>\$ 6,472,270</u>	<u>\$ (62,472)</u>	<u>\$ 8,271,005</u>	<u>\$ 8,096,005</u>	<u>\$ 175,000</u>

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of \$5,312,527. This consisted of \$1,299,000 for special assessment bonds, \$1,802,166 for G.O. revenue bonds, \$84,448 for G.O. bonds, \$296,381 for G.O. tax increment bonds, \$1,706,794 for net pension liability, financed purchases for \$73,416, and \$50,322 for compensated absences. State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statement.

CITY OF BRAHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Key elements of long-term debt are as follows:

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	\$ 84,448	\$ 103,810	\$ (19,362)
General Obligation Improvement Bonds	1,299,000	1,425,000	(126,000)
General Obligation Tax Increment Bonds	<u>296,381</u>	<u>370,723</u>	<u>(74,342)</u>
 Total Governmental Activities Long-Term Debt	 1,679,829	 1,899,533	 (219,704)
Business-type Activities:			
General Obligation Revenue Bonds	<u>1,802,166</u>	<u>1,816,000</u>	<u>(13,834)</u>
 Total Long-Term Debt	 <u>\$ 3,481,995</u>	 <u>\$ 3,715,533</u>	 <u>\$ (233,538)</u>
Bonded Debt:			
General Obligation Bonds	\$ 84,448	\$ 103,810	\$ (19,362)
General Obligation Revenue Bonds	1,802,166	1,816,000	(13,834)
General Obligation Improvement Bonds	1,299,000	1,425,000	(126,000)
General Obligation Tax Increment Bonds	<u>296,381</u>	<u>370,723</u>	<u>(74,342)</u>
 Total Bonded Debt	 <u>\$ 3,481,995</u>	 <u>\$ 3,715,533</u>	 <u>\$ (233,538)</u>

FACTORS BEARING ON THE CITY'S FUTURE

The economic outlook for Isanti County remains stable. The agricultural economy around the Braham area remains strong with continued strong land prices. The tax capacity of the City increased by \$68,279, or 7.4%, between 2022 and 2021. This was mainly due to increases in real estate value and slight increases in personal tax capacity. All these factors were considered in preparing the City's budget for 2022 and will be for the 2023 fiscal year as well.

For the 2022 fiscal year, general fund revenue and expenditure projections remain conservative. The 2022 general fund budget for revenues is \$1,460,255 and expenditures is \$1,580,701. The 2022 general fund budget includes funding for the following:

The City's 2022 budget was very conservative, not allowing much for large projects that arose in 2020, including the culvert collapse on West Central Drive. Additionally, in 2019 the City undertook 2 projects which carried into 2020. These projects resulted in the issuance of two new bonds. The first new general obligation bond issued in 2020 was for the demolition of the ERCOA building in the amount of \$125,723. Repayment of this bond will begin in February of 2021 and end in 2033.

The 2022 proprietary fund (water and sewer) budgets are \$915,509 for revenues and \$555,606 for expenses, resulting in a budgeted gain of \$359,903. The 2022 proprietary fund budget includes funding for the following:

The City had many equipment and infrastructure repairs that were not budgeted in 2022. Additionally, the City hired our own Water and Wastewater operator as we plan to move away from costly contracted services towards operating our facilities ourselves.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Braham, 201 Broadway Avenue South, Braham, MN, 55006.

BASIC FINANCIAL STATEMENTS

CITY OF BRAHAM, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and Cash Equivalents	\$ 524,039	\$ 542,534	\$ 1,066,573	\$ 22,209
Cash held with Escrow	10,928	0	10,928	0
Investments	147,679	0	147,679	8,986
Receivables:				
Accounts	8,253	69,392	77,645	2,139
Property Taxes	37,952	0	37,952	0
Notes, Net of Allowance	20,110	0	20,110	0
Special Assessments	120,180	0	120,180	0
Leases	0	65,186	65,186	0
Inventory	0	289,676	289,676	0
Property Held for Sale	225,829	0	225,829	0
Prepaid Expenses	98,343	54,648	152,991	21,239
Internal Balances	(26,642)	26,642	0	0
Capital Assets Not Being Depreciated	98,002	154,318	252,320	0
Other Capital Assets, Net of Depreciation	3,371,933	5,328,231	8,700,164	277,715
Net Pension Asset	142,435	0	142,435	0
Restricted Cash	0	0	0	7,358
Total Assets	<u>4,779,041</u>	<u>6,530,627</u>	<u>11,309,668</u>	<u>339,646</u>
Deferred Outflows of Resources:				
Pension Plan Deferments	<u>1,431,294</u>	<u>170,219</u>	<u>1,601,513</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,210,335</u>	<u>\$ 6,700,846</u>	<u>\$ 12,911,181</u>	<u>\$ 339,646</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities:				
Accounts Payable	\$ 17,255	\$ 39,175	\$ 56,430	\$ 14,023
Accrued Expenses	86,897	17,068	103,965	13,572
Current Portion of Long-Term Debt	216,284	206,751	423,035	0
Compensated Absences	44,503	5,819	50,322	6,280
Unearned Revenue	47,161	0	47,161	3,997
Long-Term Debt, Net of Current Portion	1,536,961	1,595,415	3,132,376	0
Net Pension Liability	<u>1,469,131</u>	<u>237,663</u>	<u>1,706,794</u>	<u>0</u>
Total Liabilities	<u>3,418,192</u>	<u>2,101,891</u>	<u>5,520,083</u>	<u>37,872</u>
Deferred Inflows of Resources:				
Pension Plan Deferments	671,384	132,053	803,437	0
Lease Deferments	<u>0</u>	<u>63,200</u>	<u>63,200</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>671,384</u>	<u>195,253</u>	<u>866,637</u>	<u>0</u>
Net Position:				
Net Investment in Capital Assets	1,716,691	3,680,382	5,397,073	277,715
Restricted	689,966	0	689,966	0
Unrestricted	<u>(285,898)</u>	<u>723,320</u>	<u>437,422</u>	<u>24,059</u>
Total Net Position	<u>2,120,759</u>	<u>4,403,702</u>	<u>6,524,461</u>	<u>301,774</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 6,210,335</u>	<u>\$ 6,700,846</u>	<u>\$ 12,911,181</u>	<u>\$ 339,646</u>

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

CITY OF BRAHAM, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 306,039	\$ 2,432	\$ 0	\$ 0
Public Safety	1,074,513	93,625	67,507	0
Public Works	579,207	0	0	29,833
Parks and Recreation	23,740	0	0	0
Economic Development	62,956	0	0	0
Interest on Long-term Debt	38,698	0	0	0
Total Governmental Activities	<u>2,085,153</u>	<u>96,057</u>	<u>67,507</u>	<u>29,833</u>
BUSINESS-TYPE ACTIVITIES:				
Water	227,946	335,944	0	0
Sewer	383,439	353,234	0	0
Liquor	1,839,928	1,848,025	0	0
Total Business-type Activities	<u>2,451,313</u>	<u>2,537,203</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 4,536,466</u>	<u>\$ 2,633,260</u>	<u>\$ 67,507</u>	<u>\$ 29,833</u>
COMPONENT UNITS:				
Housing and Redevelopment Authority	<u>\$ 286,417</u>	<u>\$ 123,406</u>	<u>\$ 108,880</u>	<u>\$ 33,282</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Intergovernmental

Interest Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expenses) Revenues and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Housing and Redevelopment Authority
\$ (303,607)	\$ 0	\$ (303,607)	\$ 0
(913,381)	0	(913,381)	0
(549,374)	0	(549,374)	0
(23,740)	0	(23,740)	0
(62,956)	0	(62,956)	0
<u>(38,698)</u>	<u>0</u>	<u>(38,698)</u>	<u>0</u>
<u>(1,891,756)</u>	<u>0</u>	<u>(1,891,756)</u>	<u>0</u>
0	107,998	107,998	0
0	(30,205)	(30,205)	0
<u>0</u>	<u>8,097</u>	<u>8,097</u>	<u>0</u>
<u>0</u>	<u>85,890</u>	<u>85,890</u>	<u>0</u>
<u>(1,891,756)</u>	<u>85,890</u>	<u>(1,805,866)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,849)</u>
637,661	0	637,661	0
211,355	0	211,355	0
637,704	0	637,704	0
7,999	0	7,999	5
86,675	149,079	235,754	6,080
<u>60,000</u>	<u>(60,000)</u>	<u>0</u>	<u>0</u>
<u>1,641,394</u>	<u>89,079</u>	<u>1,730,473</u>	<u>6,085</u>
(250,362)	174,969	(75,393)	(14,764)
<u>2,371,121</u>	<u>4,228,733</u>	<u>6,599,854</u>	<u>316,538</u>
<u>\$ 2,120,759</u>	<u>\$ 4,403,702</u>	<u>\$ 6,524,461</u>	<u>\$ 301,774</u>

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

CITY OF BRAHAM, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 0	\$ 245,415	\$ 350,368	\$ 595,783
Cash held with Escrow	0	10,928	0	10,928
Investments	147,679	0	0	147,679
Receivables:				
Accounts	8,253	0	0	8,253
Property Taxes	35,549	381	2,022	37,952
Special Assessments	0	120,180	0	120,180
Notes	0	0	20,110	20,110
Prepaid Expense	98,343	0	0	98,343
Property Held for Sale	63,606	0	162,223	225,829
TOTAL ASSETS	<u>\$ 353,430</u>	<u>\$ 376,904</u>	<u>\$ 534,723</u>	<u>\$ 1,265,057</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Deficit Cash and Cash Equivalents	\$ 71,744	\$ 0	\$ 0	\$ 71,744
Accrued Expenses	88,539	0	0	88,539
Unearned Revenue	47,161	0	0	47,161
Advance from Other Funds	0	0	26,642	26,642
Total Liabilities	<u>207,444</u>	<u>0</u>	<u>26,642</u>	<u>234,086</u>
Deferred Inflows of Resources:				
Unavailable Revenue:				
Special Assessments	0	120,180	0	120,180
Delinquent Taxes	20,969	0	0	20,969
Total Deferred Inflows of Resources	<u>20,969</u>	<u>120,180</u>	<u>0</u>	<u>141,149</u>
Fund Balance:				
Nonspendable	161,949	0	0	161,949
Restricted	0	256,724	328,674	585,398
Committed	0	0	25,880	25,880
Assigned	0	0	168,389	168,389
Unassigned	(36,932)	0	(14,862)	(51,794)
Total Fund Balance	<u>125,017</u>	<u>256,724</u>	<u>508,081</u>	<u>889,822</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 353,430</u>	<u>\$ 376,904</u>	<u>\$ 534,723</u>	<u>\$ 1,265,057</u>

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

CITY OF BRAHAM, MINNESOTA

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

Total Fund Balances - Governmental Funds	\$ 889,822
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	6,409,798
Less: Accumulated depreciation	(2,939,863)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(1,753,245)
Compensated absences payable	(44,503)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	
Delinquent property taxes	20,969
Special assessments	120,180
Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension liability - general employees retirement pension fund	(324,659)
Net pension liability - public employees police and fire pension fund	(1,144,472)
Net pension asset - volunteer firefighter's relief pension fund	142,435
Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to pensions	1,431,294
Deferred inflows of resources related to pensions	(671,384)
Governmental funds do not report a liability for accrued interest payable until due and payable.	<u>(15,612)</u>
Total Net Position - Governmental Activities	<u>\$ 2,120,759</u>

CITY OF BRAHAM, MINNESOTA

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

	General	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 587,694	\$ 211,355	\$ 0	\$ 799,049
Tax Increment	0	0	49,481	49,481
Special Assessments	21,000	46,721	0	67,721
Intergovernmental	690,092	0	0	690,092
Licenses and Permits	15,895	0	0	15,895
Charges for Services	98,084	0	0	98,084
Fines and Fees	19,819	0	0	19,819
Other Revenues	47,829	0	0	47,829
Total Revenues	<u>1,480,413</u>	<u>258,076</u>	<u>49,481</u>	<u>1,787,970</u>
Expenditures:				
Current:				
General Government	256,559	0	0	256,559
Public Safety	837,988	0	0	837,988
Public Works	424,072	0	0	424,072
Parks and Recreation	12,696	0	0	12,696
Economic Development	0	0	62,956	62,956
Capital Outlay:				
General Government	805	0	0	805
Public Safety	81,771	0	0	81,771
Public Works	25,641	0	0	25,641
Debt Service:				
Principal	0	219,704	0	219,704
Interest and Fiscal Fees	0	40,936	0	40,936
Total Expenditures	<u>1,639,532</u>	<u>260,640</u>	<u>62,956</u>	<u>1,963,128</u>
Excess of Revenue Over (Under) Expenditures	<u>(159,119)</u>	<u>(2,564)</u>	<u>(13,475)</u>	<u>(175,158)</u>
Other Financing Sources (Uses):				
Debt Issuance	73,416	0	0	73,416
Transfers In	60,000	0	0	60,000
Sale of Capital Assets	26,250	0	0	26,250
Total Other Financing Sources (Uses)	<u>159,666</u>	<u>0</u>	<u>0</u>	<u>159,666</u>
Change in Fund Balance	547	(2,564)	(13,475)	(15,492)
Fund Balance - January 1	<u>124,470</u>	<u>259,288</u>	<u>521,556</u>	<u>905,314</u>
Fund Balance - December 31	<u>\$ 125,017</u>	<u>\$ 256,724</u>	<u>\$ 508,081</u>	<u>\$ 889,822</u>

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

CITY OF BRAHAM, MINNESOTA

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

Net Change in Fund Balances - Governmental Funds \$ (15,492)

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

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

Capital outlay	99,057
Depreciation expense	(246,435)

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

Principal repayments	219,704
Debt proceeds	(73,416)

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

2,238

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

Pension expense	(169,554)
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Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	486
Special assessments	(37,888)
Charges for Services	(2,027)

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

Compensated absences	<u>(27,038)</u>
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Change in Net Position - Governmental Activities \$ (250,362)

CITY OF BRAHAM, MINNESOTA

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

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 597,621	\$ 597,621	\$ 587,694	\$ (9,927)
Special Assessments	35,000	35,000	21,000	(14,000)
Intergovernmental	687,034	687,034	690,092	3,058
Licenses and Permits	5,300	5,300	15,895	10,595
Charges for Services	101,300	101,300	98,084	(3,216)
Fines and Fees	23,500	23,500	19,819	(3,681)
Other Revenue	10,500	10,500	47,829	37,329
Total Revenues	<u>1,460,255</u>	<u>1,460,255</u>	<u>1,480,413</u>	<u>20,158</u>
Expenditures:				
Current:				
General Government	281,639	281,899	256,559	(25,340)
Public Safety	780,553	782,553	837,988	55,435
Public Works	447,896	442,324	424,072	(18,252)
Parks and Recreation	40,613	40,353	12,696	(27,657)
Capital Outlay:				
General Government	0	0	805	805
Public Safety	10,000	8,000	81,771	73,771
Public Works	20,000	25,572	25,641	69
Total Expenditures	<u>1,580,701</u>	<u>1,580,701</u>	<u>1,639,532</u>	<u>58,831</u>
Excess of Revenue Over (Under) Expenditures	<u>(120,446)</u>	<u>(120,446)</u>	<u>(159,119)</u>	<u>(38,673)</u>
Other Financing Sources (Uses):				
Transfers In	80,000	80,000	60,000	(20,000)
Debt Issuance	0	0	73,416	(73,416)
Sale of Capital Assets	0	0	26,250	26,250
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>159,666</u>	<u>79,666</u>
Change in Fund Balance	<u>\$ (40,446)</u>	<u>\$ (40,446)</u>	547	<u>\$ 40,993</u>
Fund Balance - January 1			<u>124,470</u>	
Fund Balance - December 31			<u>\$ 125,017</u>	

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

CITY OF BRAHAM, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	\$ 273,525	\$ 182,297	\$ 86,712	\$ 542,534
Accounts Receivable	31,825	37,567	0	69,392
Inventory	0	0	289,676	289,676
Prepaid Expense	14,690	24,252	15,706	54,648
Total Current Assets	<u>320,040</u>	<u>244,116</u>	<u>392,094</u>	<u>956,250</u>
Noncurrent Assets:				
Advance to Other Funds	10,252	58,094	0	68,346
Lease Receivable	65,186	0	0	65,186
Buildings and Improvements	1,832,007	2,386,584	505,799	4,724,390
Infrastructure	1,442,956	1,313,363	0	2,756,319
Machinery and Equipment	59,366	638,850	92,076	790,292
Accumulated Depreciation	(870,488)	(1,657,387)	(260,577)	(2,788,452)
Total Assets	<u>2,859,319</u>	<u>2,983,620</u>	<u>729,392</u>	<u>6,572,331</u>
Deferred Outflows of Resources:				
Pension Plan Deferments	<u>17,127</u>	<u>17,127</u>	<u>135,965</u>	<u>170,219</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,876,446</u>	<u>\$ 3,000,747</u>	<u>\$ 865,357</u>	<u>\$ 6,742,550</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 1,303	\$ 4,020	\$ 33,852	\$ 39,175
Accrued Expenses	6,606	2,278	8,184	17,068
Current Portion of Long-term Debt	166,500	40,251	0	206,751
Total Current Liabilities	<u>174,409</u>	<u>46,549</u>	<u>42,036</u>	<u>262,994</u>
Long-Term Liabilities:				
Compensated Absences	971	971	3,877	5,819
Advance from Other Funds	0	0	41,704	41,704
Long-term Debt, Net of Current Maturities	717,150	878,265	0	1,595,415
Net Pension Liability	23,913	23,913	189,837	237,663
Total Liabilities	<u>916,443</u>	<u>949,698</u>	<u>277,454</u>	<u>2,143,595</u>
Deferred Inflows of Resources:				
Pension Plan Deferments	13,287	13,287	105,479	132,053
Lease Deferments	63,200	0	0	63,200
Total Deferred Inflows of Resources	<u>76,487</u>	<u>13,287</u>	<u>105,479</u>	<u>195,253</u>
Net Position:				
Net Investment in Capital Assets	1,580,191	1,762,893	337,298	3,680,382
Unrestricted	303,325	274,869	145,126	723,320
Total Net Position	<u>1,883,516</u>	<u>2,037,762</u>	<u>482,424</u>	<u>4,403,702</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,876,446</u>	<u>\$ 3,000,747</u>	<u>\$ 865,357</u>	<u>\$ 6,742,550</u>

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

CITY OF BRAHAM, MINNESOTA

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

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
Operating Revenues:				
Charges for Services and Sales	\$ 335,944	\$ 353,234	\$ 1,833,303	\$ 2,522,481
Cost of Revenue	<u>0</u>	<u>0</u>	<u>1,384,437</u>	<u>1,384,437</u>
Gross Profit	<u>335,944</u>	<u>353,234</u>	<u>448,866</u>	<u>1,138,044</u>
Operating Expenses:				
Personnel	12,446	7,319	330,332	350,097
Administrative Expenses	2,860	3,448	11,783	18,091
Operating Supplies	9,703	15,430	27,201	52,334
Professional Services	81,408	174,767	14,082	270,257
Insurance	7,135	7,962	10,190	25,287
Utilities	21,841	43,606	20,096	85,543
Repairs and Maintenance	11,192	28,576	1,006	40,774
Other Expenses	7,746	1,759	27,318	36,823
Depreciation	59,069	82,052	13,483	154,604
Total Operating Expenses	<u>213,400</u>	<u>364,919</u>	<u>455,491</u>	<u>1,033,810</u>
Income (Loss) From Operations	<u>122,544</u>	<u>(11,685)</u>	<u>(6,625)</u>	<u>104,234</u>
Nonoperating Revenues (Expenses)				
Lottery Profit	0	0	14,722	14,722
Interest Expense	(14,546)	(18,520)	0	(33,066)
Other Revenues	35,580	110,837	2,662	149,079
Total Nonoperating Revenues (Expenses)	<u>21,034</u>	<u>92,317</u>	<u>17,384</u>	<u>130,735</u>
Income Before Transfers	143,578	80,632	10,759	234,969
Transfers Out	<u>0</u>	<u>0</u>	<u>(60,000)</u>	<u>(60,000)</u>
Change in Net Position	143,578	80,632	(49,241)	174,969
Net Position - January 1	<u>1,739,938</u>	<u>1,957,130</u>	<u>531,665</u>	<u>4,228,733</u>
Net Position - December 31	<u>\$ 1,883,516</u>	<u>\$ 2,037,762</u>	<u>\$ 482,424</u>	<u>\$ 4,403,702</u>

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

CITY OF BRAHAM, MINNESOTA

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

	Business-type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers and Users	\$ 339,148	\$ 348,893	\$ 1,833,296	\$ 2,521,337
Payments to Suppliers	(148,457)	(315,825)	(1,526,792)	(1,991,074)
Payments to Employees	(36,264)	(35,135)	(253,634)	(325,033)
Other Receipts (Payments)	33,594	11,609	17,384	62,587
Net Cash from Operating Activities	<u>188,021</u>	<u>9,542</u>	<u>70,254</u>	<u>267,817</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments Received (Paid) on Interfund Loan	4,100	12,589	(16,689)	0
Transfers Out	0	0	(60,000)	(60,000)
Net Cash from Noncapital Financing Activities	<u>4,100</u>	<u>12,589</u>	<u>(76,689)</u>	<u>(60,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Debt	(16,196)	(18,422)	0	(34,618)
Principal Paid on Debt	(152,350)	(39,334)	0	(191,684)
Government Grants	0	99,228	0	99,228
Debt Proceeds	0	177,850	0	177,850
Purchase of Capital Assets	(10,197)	(175,000)	0	(185,197)
Net Cash from Capital and Related Financing Activities	<u>(178,743)</u>	<u>44,322</u>	<u>0</u>	<u>(134,421)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,378	66,453	(6,435)	73,396
Cash and Cash Equivalents - January 1	<u>260,147</u>	<u>115,844</u>	<u>93,146</u>	<u>469,137</u>
Cash and Cash Equivalents - December 31	<u>\$ 273,525</u>	<u>\$ 182,297</u>	<u>\$ 86,712</u>	<u>\$ 542,534</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Income (Loss) from Operations	\$ 122,544	\$ (11,685)	\$ (6,625)	\$ 104,234
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:				
Other Receipts (Payments)	33,594	11,609	17,384	62,587
Depreciation Expense	59,069	82,052	13,483	154,604
(Increase) Decrease in Accounts Receivable	3,204	(4,341)	0	(1,137)
(Increase) Decrease in Inventory	0	0	(31,631)	(31,631)
(Increase) Decrease in Prepaid Expense	(4,319)	(5,389)	198	(9,510)
Increase (Decrease) in Pension Resources	(23,046)	(27,044)	70,351	20,261
Increase (Decrease) in Accounts Payable	(2,253)	(34,888)	747	(36,394)
Increase (Decrease) in Accrued Expenses	(772)	(772)	6,347	4,803
Net Cash Provided from Operating Activities	<u>\$ 188,021</u>	<u>\$ 9,542</u>	<u>\$ 70,254</u>	<u>\$ 267,817</u>

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

Additionally, included in the City's reporting entity, based upon the application of the above criteria, is the following discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements.

Housing and Redevelopment Authority. The Braham House and Redevelopment Authority (the HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board, which is comprised of five members, one of which is a City Council member, is appointed by the Mayor and approved by the City Council. Separate financial statements are issued for this component unit.

B. Government-wide and fund financial statements

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are considered 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, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

The *Liquor fund* accounts for the costs associated with the City's municipal liquor store.

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

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

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

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Deposits and investments

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, or a United States insurance company or its Canadian subsidiary whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

Property taxes

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

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

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

Accounts receivable

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

Special assessments

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

Property held for resale

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Notes receivable

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

Interfund receivables and payables

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

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories

For proprietary funds, inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventories are recorded as an expense when sold or consumed rather than when purchased.

Capital assets

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

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

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Compensated absences

It is the City’s policy to permit employees to accumulate earned but unused vacation benefits. Upon retirement or termination, employees in good standing are entitled to payout for the lesser of their vacation balance or the amount of vacation they would accrue in two years. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other Than Pensions

Employees of the City pay health care premiums based on their age and level of coverage. Since the insurance rate is based on age, the City does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation of coverage. The City’s personnel policy does not provide for any contributions upon employee retirement.

Deferred outflows/inflows of resources

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

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

Unearned Revenue

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

Long-term obligations

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Pensions

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

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

Leases

Lease receivables

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

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

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

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

Lease liabilities

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

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

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

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

Significant lease terms are disclosed in note 3.

Net position

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

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

Fund balance

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

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

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

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

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 20-25 percent of budgeted operating expenditures cash needs.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

The appropriated budget is prepared by fund, function, and department. The City’s department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were budget amendments during the year to account for additional expenditures that were approved by the Council.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2022, the General fund had expenditures over appropriations of \$58,831. The excess of expenditures over appropriations was funded with additional revenues and available fund balance.

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Nonmajor	
TIF 2-5	\$ 14,862

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

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

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

On December 31, 2022, the carrying amount of deposits was \$1,111,469 and the bank balance was \$1,117,503. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City’s agent in the City’s name.

Investments

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies address concentration risk by diversifying the investment portfolio so the City does not invest all its fund into one type of investment.

Municipal bonds:

Bracken County KY Pub	17%
King County WA Pub	18%
Minnesota State High Ed FACS	18%
Virginia State Small Bus Finance	18%

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do address this risk by minimizing the City’s exposure by investing on both short-term and long-term investments to evenly time cash flows from maturities.

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

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Investment pools:						
HSBC Bank insured cash	N/R	N/R	Cost	44,896	N/A	44,896
Municipal bonds	A	Moody	Level 1	-	102,783	102,783
Total investments						\$ 147,679

N/A - Not applicable

N/R - Not rated

Approximately 50% or \$76,700 of the City’s investments are held in investments that are rated below what is required by statutory authority.

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

	Primary Government		Component Unit
	Governmental Funds	Proprietary Funds	Housing and Redevelopment Authority
Carrying amount of demand deposits	\$ 524,039	\$ 517,008	\$ 22,209
Cash on hand	-	25,526	-
Total cash and cash equivalents as shown on the statement of net position	524,039	542,534	22,209
Investments	147,679	-	8,986
Cash held with escrow	10,928	-	-
Restricted cash	-	-	7,358
Total cash and investments	\$ 682,646	\$ 542,534	\$ 38,553

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

B. Receivables

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

Notes receivable represents loans made to various commercial entities throughout the City. These loans all carry an interest rate of 0% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. No allowance has been established for these various notes. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance.

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due (debt service funds)	\$ 120,180	\$ -
Accounts receivable (general fund)	4,700	-
Township fire contracts		47,161
Delinquent property taxes (general fund)	<u>16,269</u>	<u>-</u>
Total deferred inflows of resources/unearned revenue	<u>\$ 141,149</u>	<u>\$ 47,161</u>

The only receivables not expected to be collectible within one year are the following: General Fund: \$10,000 of delinquent taxes, and Debt Service Fund special assessments: \$86,000.

C. Lease Receivables

The City, acting as lessor, leases certain real property under long-term, noncancelable lease agreements. The leases contain discount rates of 2.50% and expire in August 2026 and March 2027 and provide for renewal options ranging from five to ten years. During the year ended December 31, 2022, the City recognized \$20,718 and \$1,916 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

<u>Year Ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 21,708	\$ 1,382
2024	22,257	833
2025	8,319	283
2026	10,288	205
2027	<u>2,614</u>	<u>11</u>
Total	<u>\$ 65,186</u>	<u>\$ 2,714</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 98,002	\$ -	\$ -	\$ 98,002
Total capital assets not being depreciated	<u>98,002</u>	<u>-</u>	<u>-</u>	<u>98,002</u>
Capital assets being depreciated				
Buildings and Improvements	1,059,455	-	-	1,059,455
Infrastructure	3,073,486	-	-	3,073,486
Machinery and equipment	<u>2,241,329</u>	<u>99,057</u>	<u>(161,531)</u>	<u>2,178,855</u>
Total capital assets being depreciated	<u>6,374,270</u>	<u>99,057</u>	<u>(161,531)</u>	<u>6,311,796</u>
Less accumulated depreciation for				
Buildings and Improvements	(333,577)	(38,205)	-	(371,782)
Infrastructure	(950,563)	(60,167)	-	(1,010,730)
Machinery and equipment	<u>(1,570,819)</u>	<u>(148,063)</u>	<u>161,531</u>	<u>(1,557,351)</u>
Total accumulated depreciation	<u>(2,854,959)</u>	<u>(246,435)</u>	<u>161,531</u>	<u>(2,939,863)</u>
Total capital assets being depreciated, net	<u>3,519,311</u>	<u>(147,378)</u>	<u>-</u>	<u>3,371,933</u>
Governmental activities capital assets, net	<u>\$ 3,617,313</u>	<u>\$ (147,378)</u>	<u>\$ -</u>	<u>\$ 3,469,935</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 154,318	\$ -	\$ -	\$ 154,318
Total capital assets not being depreciated	<u>154,318</u>	<u>-</u>	<u>-</u>	<u>154,318</u>
Capital assets being depreciated				
Buildings and Improvements	4,405,137	-	-	4,405,137
Distribution system	2,756,319	-	-	2,756,319
Machinery and equipment	780,231	175,000	-	955,231
Total capital assets being depreciated	<u>7,941,687</u>	<u>175,000</u>	<u>-</u>	<u>8,116,687</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,243,725)	(70,892)	-	(1,314,617)
Infrastructure	(692,263)	(54,117)	-	(746,380)
Machinery and equipment	(697,864)	(29,595)	-	(727,459)
Total accumulated depreciation	<u>(2,633,852)</u>	<u>(154,604)</u>	<u>-</u>	<u>(2,788,456)</u>
Total capital assets being depreciated, net	<u>5,307,835</u>	<u>20,396</u>	<u>-</u>	<u>5,328,231</u>
Business-type activities capital assets, net	<u>\$ 5,462,153</u>	<u>\$ 20,396</u>	<u>\$ -</u>	<u>\$ 5,482,549</u>

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

Governmental activities	
General government	\$ 29,599
Public safety	103,342
Public works	102,450
Parks and recreation	<u>11,044</u>
Total depreciation expense - governmental activities	<u>\$ 246,435</u>
Business-type activities	
Water	\$ 59,068
Sewer	82,053
Liquor	<u>13,483</u>
Total depreciation expense - business-type activities	<u>\$ 154,604</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Discretely presented component unit

Capital asset activity for Braham Housing and Redevelopment Authority for the year ended was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit				
Capital assets not being depreciated				
Land	\$ 12,254	\$ -	\$ -	\$ 12,254
Total capital assets not being depreciated	<u>12,254</u>	<u>-</u>	<u>-</u>	<u>12,254</u>
Capital assets being depreciated				
Buildings and Improvements	1,917,703	-	-	1,917,703
Machinery and equipment	<u>172,005</u>	<u>-</u>	<u>-</u>	<u>172,005</u>
Total capital assets being depreciated	<u>2,089,708</u>	<u>-</u>	<u>-</u>	<u>2,089,708</u>
Less accumulated depreciation	<u>(1,824,247)</u>	<u>-</u>	<u>-</u>	<u>(1,824,247)</u>
Total capital assets being depreciated, net	<u>265,461</u>	<u>-</u>	<u>-</u>	<u>265,461</u>
Business-type activities capital assets, net	<u>\$ 277,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,715</u>

Depreciation expense was charged to functions/programs of the Braham Housing and Redevelopment Authority as follows:

Component unit	
Low rent public housing	<u>\$ 42,164</u>

E. Long-term debt

General Obligation Bonds/Notes

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment					
Certificates of 2016A	228,000	2.35%	3/21/16	2/1/26	\$ 84,448
Total general obligation bonds/notes					<u>\$ 84,448</u>

General Obligation Revenue Bonds/Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue					
Bonds of 2004A	\$ 1,468,370	1.59%	3/25/04	8/20/23	\$ 89,000
G.O. Water Revenue					
Bonds of 2010A	1,015,970	1.00%	4/6/10	8/20/29	355,000
G.O. Wastewater Revenue					
Bonds of 2012A	778,000	2.00%	6/12/12	1/1/52	632,000
G.O. Utility Revenue Refunding					
Note of 2021A	130,000	1.85%	6/15/21	1/1/36	122,000
G.O. Utility Revenue					
Note of 2021A	458,000	1.85%	6/15/21	1/1/36	444,000
G.O. Sewer Revenue					
Note of 2022A	177,850	3.00%	5/16/22	12/1/31	160,166
Total general obligation revenue bonds/notes					<u>\$ 1,802,166</u>

General Obligation Improvement Bonds/Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Note, 2021A	\$ 1,425,000	1.85%	6/15/21	1/1/36	\$ 1,299,000
Total general obligation special assessment bonds/notes					<u>\$ 1,299,000</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Tax Increment Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Bonds of 2011A	\$ 960,000	2.98%	12/15/11	2/1/26	\$ 190,000
G.O. Tax Abatement					
Bonds of 2019A	125,723	2.00%	3/6/19	8/15/33	<u>106,381</u>
Total general obligation tax increment bonds					<u><u>\$ 296,381</u></u>

Annual debt service requirements to maturity for long-term debt obligations are as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 207,033	\$ 31,675	\$ 206,751	\$ 32,421
2024	206,033	27,229	120,227	29,036
2025	215,033	21,338	122,718	27,002
2026	218,033	17,984	124,223	24,936
2027	148,671	14,239	126,744	22,834
2028-2032	564,355	36,067	485,503	82,810
2033-2037	120,671	2,848	266,000	46,983
2038-2042	-	-	114,000	30,540
2043-2047	-	-	126,000	18,660
2048-2051	-	-	110,000	5,540
Total	<u><u>\$ 1,679,829</u></u>	<u><u>\$ 151,380</u></u>	<u><u>\$ 1,802,166</u></u>	<u><u>\$ 320,762</u></u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
GO bonds/certificates	\$ 103,810	\$ -	\$ (19,362)	\$ 84,448	\$ 20,362
GO improvement bonds/notes	1,425,000	-	(126,000)	1,299,000	132,000
GO tax increment bonds/notes	370,723	-	(74,342)	296,381	54,671
Total general obligation debt	1,899,533	-	(219,704)	1,679,829	207,033
Financed purchases	-	73,416	-	73,416	9,251
Compensated absences	17,466	41,301	(14,264)	44,503	-
Net Pension Liability	409,863	1,368,627	(309,359)	1,469,131	-
Governmental activity long-term liabilities	<u>\$ 2,326,862</u>	<u>\$ 1,483,344</u>	<u>\$ (543,327)</u>	<u>\$ 3,266,879</u>	<u>\$ 216,284</u>
Business-type activities					
GO revenue bonds/notes	\$ 1,816,000	\$ 177,850	\$ (191,684)	\$ 1,802,166	\$ 206,751
Net Pension Liability	158,710	219,082	(140,129)	237,663	-
Compensated absences	3,153	19,217	(16,551)	5,819	-
Business-type activity long-term liabilities	<u>\$ 1,977,863</u>	<u>\$ 416,149</u>	<u>\$ (348,364)</u>	<u>\$ 2,045,648</u>	<u>\$ 206,751</u>

F. Financed Purchases

The City has purchased assets through capitalized financed purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Motorola radios	\$ 73,416	4.08%	6/1/2022	6/1/2029	\$ 73,416

Amortization of assets capitalized through these lease-purchase agreements is included in depreciation expense in the government-wide financial statements. The amount charged as depreciation for the year ended December 31, 2022 was \$6,118.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The assets acquired through these financed purchases are reported as follows:

<u>Asset</u>	<u>Amount</u>
Equipment	\$ 73,416
Less accumulated depreciation	(6,118)
Total	<u>\$ 67,298</u>

Annual payment requirements to maturity for financed purchases are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 9,251	\$ 3,052
2024	9,635	2,667
2025	10,036	2,267
2026	10,453	1,850
2027	10,888	1,415
2028-2029	23,153	1,454
Total	<u>\$ 73,416</u>	<u>\$ 12,705</u>

G. Interfund receivables, payables, and transfers

Interfund transfers

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

<u>Transferred From</u>	<u>Transferred To</u>
	<u>General Fund</u>
Liquor Fund	<u>\$ 60,000</u>
Total	<u>\$ 60,000</u>

Transfers from the Liquor fund were used to support continuing operations in the General fund.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Internal Balances

Fund Type and Fund	Advance To Other Funds	Advance From Other Funds
Nonmajor: TIF 2-5	\$ -	\$ 26,642
Liquor	-	41,704
Sewer	58,094	-
Water	10,252	-
	\$ 68,346	\$ 68,346
Total	\$ 68,346	\$ 68,346

In 1999, the Sewer fund loaned \$26,642 to the TIF 2-5 fund to provide start-up capital for the Elmhurst Commons senior housing project. The Water and Sewer funds loaned the Liquor fund \$157,343 and \$51,260, respectively, for improvements to the municipal liquor store.

The internal balances payable are short-term borrowings and are expected to be repaid in the subsequent years.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

H. Net Position/Fund Balance

Primary Government

Governmental Fund Balances

Governmental fund balances reported on the Governmental Funds Balance Sheet on December 31, 2022, includes the following:

	General	Debt Service Funds	Nonmajor Governmental Funds	Total Fund Balance
Nonspendable:				
Prepaid insurance	\$ 98,343	\$ -	\$ -	\$ 98,343
Land held for resale	63,606	-	-	63,606
Total nonspendable	<u>161,949</u>	<u>-</u>	<u>-</u>	<u>161,949</u>
Restricted:				
SCDP grant rehab	-	-	10,375	10,375
Economic development	-	-	318,299	318,299
Debt service	-	256,724	-	256,724
Total restricted	<u>-</u>	<u>256,724</u>	<u>328,674</u>	<u>585,398</u>
Committed:				
Economic development	-	-	25,880	25,880
Total committed	<u>-</u>	<u>-</u>	<u>25,880</u>	<u>25,880</u>
Assigned:				
Technology reserve	-	-	20,000	20,000
Street improvement	-	-	78,327	78,327
Equipment replacement	-	-	20	20
Park development	-	-	70,000	70,000
Capital improvement	-	-	42	42
Total assigned	<u>-</u>	<u>-</u>	<u>168,389</u>	<u>168,389</u>
Unassigned:				
General fund	(36,932)	-	-	(36,932)
Economic development	-	-	(14,862)	(14,862)
Total unassigned	<u>(36,932)</u>	<u>-</u>	<u>(14,862)</u>	<u>(51,794)</u>
Total fund balances	<u>\$ 125,017</u>	<u>\$ 256,724</u>	<u>\$ 508,081</u>	<u>\$ 889,822</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

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

Net Investment in Capital Assets:	
Land	\$ 98,002
Buildings and improvements	1,059,455
Infrastructure	3,073,486
Machinery and equipment	2,178,853
Less: accumulated depreciation	(2,939,861)
Less: long-term debt outstanding	(1,753,245)
Total Net Investment in Capital Assets	<u>1,716,691</u>
Restricted for:	
Debt Service	533,890
Economic development	156,076
Total Restricted	<u>689,966</u>
Unrestricted	<u>(285,898)</u>
Total Governmental Activities Net Position	<u>\$ 2,120,759</u>

Business-type Activities Net Position

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

Net Investment in Capital Assets:	
Land	\$ 154,318
Buildings and improvements	4,405,136
Infrastructure	2,756,319
Machinery and equipment	955,231
Less: accumulated depreciation	(2,788,456)
Less: long-term debt outstanding	(1,802,166)
Total Net Investment in Capital Assets	<u>3,680,382</u>
Unrestricted	<u>723,320</u>
Total Business-type Activities Net Position	<u>\$ 4,403,702</u>

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Discretely presented component unit

Net Investment in Capital Assets:	
Land	\$ 12,254
Buildings and improvements	1,917,703
Machinery and equipment	172,005
Less: accumulated depreciation	<u>(1,824,247)</u>
Total Net Investment in Capital Assets	277,715
Unrestricted	<u>24,059</u>
Total Component Unit Net Position	<u><u>\$ 301,774</u></u>

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION

A. Plan Description

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

General Employees Retirement Plan (GERP)

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

Public Employees Police and Fire Fund (PEFPF)

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

B. Benefits Provided

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

GERP Benefits

General Employees Plan benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA’s Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all members. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

PEPFP Benefits

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

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

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$42,554. The City's contributions were equal to the required contributions as set by state statute.

PEPFP Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$59,485. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERP Pension Costs

On December 31, 2022, the City reported a liability of \$562,322 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$16,467.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0071% which was a decrease of 0.0009% from its proportion measured as of June 30, 2021.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2022, the City recognized pension expense of \$86,202 for its proportionate share of GERP’s pension expense. In addition, the City recognized an additional \$2,461 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,688	\$ 7,389
Differences between projected and actual investment earnings	225,643	265,656
Changes in actuarial assumptions	127,948	2,442
Changes in proportion	21,401	36,956
City's contributions subsequent to the measurement date	23,066	-
Total	\$ 402,746	\$ 312,443

\$23,066 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 33,312
2024	31,282
2025	(48,484)
2026	51,127
2027	-
Thereafter	-

PEPPF Pension Costs

On December 31, 2022, the City reported a liability of \$1,144,472 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. On June 30, 2022, the City’s proportion was 0.0263% which was a decrease of 0.0031% from its proportion measured as of June 30, 2021.

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2022 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the City recognized pension expense of \$148,449 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$9,716 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,367 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 69,535	\$ (67)
Differences between projected and actual investment earnings	331,253	389,852
Changes in actuarial assumptions	675,206	13,911
Changes in proportion	41,678	46,387
City's contributions subsequent to the measurement date	32,161	-
Total	<u>\$ 1,149,833</u>	<u>\$ 450,083</u>

\$32,161 reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 119,402
2024	125,856
2025	104,613
2026	229,506
2027	88,212
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

E. Actuarial Assumptions

GERP and PEPFP

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

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

Actuarial Assumption:

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

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

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

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

F. Discount Rate

GERP

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

PEFPF

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

G. Pension Liability Sensitivity

GERP and PEPFP

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

City's proportionate share of NPL				
Plan		1 % Decrease	Current	1 % Increase
	Rate	5.50%	6.50%	7.50%
Proportionate share of the GERP net pension liability:		\$ 888,218	\$ 562,322	\$ 295,038
		1 % Decrease	Current	1 % Increase
	Rate	4.40%	5.40%	6.40%
Proportionate share of the PEPFP net pension liability:		\$ 1,732,012	\$ 1,144,472	\$ 669,481

H. Pension Plan Fiduciary Net Position

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

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION

A. Plan Description

The Braham Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2021, the plan covered 14 active firefighters and 11 vested terminated firefighter whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

Benefits are provided to the Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$3,000 (effective January 1, 2021) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$34,484 in fire state aid to the plan for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2022. In addition, the City made no voluntary contributions to the plan.

D. Pension Costs

On December 31, 2022, the Volunteer Firefighter Fund reported a net pension asset of \$142,435. The net pension asset was measured as of December 31, 2021. 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 fire department. The following table presents the changes in net pension liability during the year.

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2020	\$ 449,900	\$ 561,544	\$ (111,644)
Changes for the year:			
Service cost	19,914	-	19,914
Interest	28,189	-	28,189
Differences between expected and actual experience	428	-	428
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	34,095	(34,095)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	33,693	(33,693)
Other additions (e.g. receivables)	-	17,207	(17,207)
Benefit payments, including member contribution refunds	-	-	-
Administrative expense	-	(5,673)	5,673
Other deductions (e.g. payables)	-	-	-
Net changes	48,531	79,322	(30,791)
Balance at Current Fiscal Year 12/31/2021	\$ 498,431	\$ 640,866	\$ (142,435)

The benefit level increased \$400 from \$2,600 to \$3,000 during the measurement period.

For the year ended December 31, 2022, the City recognized pension expense of \$(44,836).

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,925	\$ 9,975
Differences between projected and actual investment earnings	6,287	26,696
Changes in actuarial assumptions	5,238	4,240
City's contributions subsequent to the measurement date	34,484	-
Total	\$ 48,934	\$ 40,911

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$34,484 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ (7,659)
2024	(13,948)
2025	(4,629)
2026	(225)
2027	-
Thereafter	-

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

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

Actuarial Assumption:

Investment Rate of Return	6.00%
Inflation	3.00% per year
Lump Sum Benefit Increase	N/A*

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund 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 Liability Sensitivity

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

Association’s Net Pension Liability		
1 Percent Decrease	Current	1 Percent Increase
5.00%	6.00%	7.00%
\$ (127,475)	\$ (142,434)	\$ (156,775)

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to the needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

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

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

I. Plan Information

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2021, is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 5 OTHER INFORMATION

A. Risk management

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 OTHER INFORMATION – (Continued)

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

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City's has \$84,448 of debt outstanding on December 31, 2022, subject to this limit.

C. Tax increment Districts

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

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Agriculture Credit programs. The amount received in 2022 was \$636,334 and \$149 for LGA and the agriculture credit, respectively. This accounted for 43 percent of General fund revenues.

Note 6 ADOPTION OF NEW STANDARD

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAHAM, MINNESOTA

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

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0071%	\$ 562,322	\$ 16,467	\$ 578,789	\$ 508,927	113.7%	76.7%
12/31/2021	6/30/2021	0.0080%	\$ 341,636	\$ 10,377	\$ 352,013	\$ 582,898	60.4%	87.0%
12/31/2020	6/30/2020	0.0074%	\$ 443,664	\$ 13,630	\$ 457,294	\$ 549,494	83.2%	79.1%
12/31/2019	6/30/2019	0.0072%	\$ 398,072	\$ 12,333	\$ 410,405	\$ 508,027	80.8%	80.2%
12/31/2018	6/30/2018	0.0073%	\$ 404,974	\$ 13,214	\$ 418,188	\$ 495,389	84.4%	79.5%
12/31/2017	6/30/2017	0.0077%	\$ 491,653	\$ 6,219	\$ 497,872	\$ 447,037	111.4%	75.9%
12/31/2016	6/30/2016	0.0074%	\$ 600,843	\$ 7,851	\$ 608,694	\$ 500,952	121.5%	68.9%
12/31/2015	6/30/2015	0.0077%	\$ 399,367	\$ -	\$ 399,367	\$ 514,400	77.6%	78.2%

CITY OF BRAHAM, MINNESOTA

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

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 40,100	\$ 40,100	\$ -	\$ 534,667	7.50%
12/31/2021	6/30/2021	\$ 43,080	\$ 43,080	\$ -	\$ 574,400	7.50%
12/31/2020	6/30/2020	\$ 39,367	\$ 39,367	\$ -	\$ 524,893	7.50%
12/31/2019	6/30/2019	\$ 38,102	\$ 38,102	\$ -	\$ 508,027	7.50%
12/31/2018	6/30/2018	\$ 36,591	\$ 36,591	\$ -	\$ 487,880	7.50%
12/31/2017	6/30/2017	\$ 37,432	\$ 37,432	\$ -	\$ 499,093	7.50%
12/31/2016	6/30/2016	\$ 34,276	\$ 34,276	\$ -	\$ 457,013	7.50%
12/31/2015	6/30/2015	\$ 33,192	\$ 33,192	\$ -	\$ 442,560	7.50%

CITY OF BRAHAM, MINNESOTA

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

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0263%	\$ 1,144,472	\$ 50,090	\$ 1,194,562	\$ 363,320	328.8%	70.5%
12/31/2021	6/30/2021	0.0294%	\$ 226,937	\$ 10,195	\$ 237,132	\$ 345,378	68.7%	93.7%
12/31/2020	6/30/2020	0.0279%	\$ 367,752	\$ 8,677	\$ 376,429	\$ 345,378	109.0%	87.2%
12/31/2019	6/30/2019	0.0255%	\$ 271,473	\$ -	\$ 271,473	\$ 263,422	103.1%	89.3%
12/31/2018	6/30/2018	0.0276%	\$ 294,188	\$ -	\$ 294,188	\$ 290,796	101.2%	88.8%
12/31/2017	6/30/2017	0.0250%	\$ 337,530	\$ -	\$ 337,530	\$ 256,882	131.4%	85.4%
12/31/2016	6/30/2016	0.0260%	\$ 1,043,425	\$ -	\$ 1,043,425	\$ 250,568	416.4%	63.9%
12/31/2015	6/30/2015	0.0230%	\$ 261,334	\$ -	\$ 261,334	\$ 203,790	128.2%	86.6%

CITY OF BRAHAM, MINNESOTA

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

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 56,613	\$ 56,613	\$ -	\$ 319,847	17.70%
12/31/2021	6/30/2021	\$ 61,457	\$ 61,457	\$ -	\$ 347,215	17.70%
12/31/2020	6/30/2020	\$ 54,639	\$ 54,639	\$ -	\$ 308,695	17.70%
12/31/2019	6/30/2019	\$ 46,515	\$ 46,515	\$ -	\$ 274,425	16.95%
12/31/2018	6/30/2018	\$ 47,109	\$ 47,109	\$ -	\$ 290,796	16.20%
12/31/2017	6/30/2017	\$ 41,615	\$ 41,615	\$ -	\$ 256,883	16.20%
12/31/2016	6/30/2016	\$ 40,592	\$ 40,592	\$ -	\$ 250,568	16.20%
12/31/2015	6/30/2015	\$ 33,014	\$ 33,014	\$ -	\$ 203,790	16.20%

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 BRAHAM FIREFIGHTERS' RELIEF ASSOCIATION
 (Last 10 Fiscal Years)

Total Pension Liability	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 19,914	\$ 21,764	\$ 19,092	\$ 22,444	\$ 18,997	\$ 23,334	\$ 23,674	\$ 23,040
Interest	28,189	16,616	19,628	20,479	17,418	16,092	13,815	12,266
Difference between expected and actual experience	428	(8,372)	-	(25,935)	-	9,192	-	-
Changes of assumptions	-	-	-	9,518	3,507	(3,482)	(9,899)	-
Changes in benefit terms	-	-	-	-	32,898	-	-	-
Benefit payments, including member contribution refunds	-	(12,966)	-	-	(5,764)	(55,485)	-	(3,000)
Net change in total pension liability	48,531	17,042	38,720	26,506	67,056	(10,349)	27,590	32,306
Total Pension Liability - beginning of year	449,900	432,858	394,138	367,632	300,576	310,925	283,335	251,029
Total Pension Liability - end of year	\$ 498,431	\$ 449,900	\$ 432,858	\$ 394,138	\$ 367,632	\$ 300,576	\$ 310,925	\$ 283,335
Plan Fiduciary Net Position								
Contributions - state and local	\$ 34,095	\$ 32,296	\$ 33,293	\$ 32,473	\$ 31,979	\$ 32,949	\$ 31,248	\$ 31,831
Contributions - donation and other income	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	16	15	-
Net investment income	33,693	17,609	60,936	(9,993)	32,705	13,709	(7,230)	17,215
Other additions (e.g. receivable)	17,207	-	-	-	-	-	-	-
Benefit payments, including member contribution refunds	-	-	-	-	(5,764)	(55,485)	-	(3,000)
Administrative expenses	(5,673)	(2,446)	(3,148)	(3,042)	(2,910)	(2,861)	(1,675)	(1,038)
Other deductions (e.g. payables)	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	79,322	47,459	91,081	19,438	56,010	(11,672)	22,358	45,008
Plan Fiduciary Net Position - beginning	561,544	514,085	423,004	403,566	347,556	359,228	336,870	291,862
Plan Fiduciary Net Position - end of year	\$ 640,866	\$ 561,544	\$ 514,085	\$ 423,004	\$ 403,566	\$ 347,556	\$ 359,228	\$ 336,870
Net Pension (Asset) Liability - end of year	\$ (142,435)	\$ (111,644)	\$ (81,227)	\$ (28,866)	\$ (35,934)	\$ (46,980)	\$ (48,303)	\$ (53,535)
FNP as a percentage of the TPL	128.58%	124.82%	118.77%	107.32%	109.77%	115.63%	115.54%	118.89%

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

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
BRAHAM FIREFIGHTERS' RELIEF ASSOCIATION

December 31, 2022

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2021	-	-	-	-	-	-
December 31, 2020	-	\$ 750	\$ (750)	-	-	-
December 31, 2019	-	\$ 750	\$ (750)	-	-	-
December 31, 2018	-	\$ 750	\$ (750)	-	-	-
December 31, 2017	-	\$ 750	\$ (750)	-	-	-
December 31, 2016	-	\$ 750	\$ (750)	-	-	-
December 31, 2015	-	\$ 750	\$ (750)	-	-	-

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2022 changes:

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

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

2021 changes:

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

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

2020 changes:

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

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

2019 changes:

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

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

2018 changes:

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

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

2017 changes:

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

2016 changes:

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

2015 changes:

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

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

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

2022 changes:

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

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

2021 changes:

Changes in Actuarial Assumptions. The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

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

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

2020 changes:

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

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

2019 changes:

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

2018 changes:

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

2017 changes:

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

2016 changes:

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

2015 changes:

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

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

CITY OF BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

C. Volunteer Firefighter's Relief Association

2021 changes:

Relief Association has its retirement fund invested with the Statewide Volunteer Firefighter Retirement Fund that is invested by Public Employees Retirement Association.

2020 changes:

Relief Association has its retirement fund invested with the Statewide Volunteer Firefighter Retirement Fund that is invested by Public Employees Retirement Association.

2019 changes:

None.

2018 changes:

Changes in Actuarial Assumptions: Discount rate decreased from 5.25% to 4.75%.

Changes in Actuarial Assumptions: The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

2017 changes:

Changes in Actuarial Assumptions: Discount rate decreased from 5.50% to 5.25%.

2016 changes:

Changes in Actuarial Assumptions: Discount rate decreased from 5.25% to 5.50%.

2015 changes:

Changes in Actuarial Assumptions: Changes in Actuarial Assumptions: 1) the assumed investment return was changed from 4.50% to 5.25%. 2) The single discount rate was changed from 4.50% to 5.25%.

2014 changes:

None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF BRAHAM, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	SCDP Grant Rehab	Economic Development Authority	Technology Reserve	Street Improvement Reserve	Equipment Replacement Reserve	Park Development Reserve
ASSETS						
Cash and Cash Equivalents	\$ 10,375	\$ 5,770	\$ 20,000	\$ 78,327	\$ 20	\$ 70,000
Taxes Receivable	0	0	0	0	0	0
Notes Receivable	0	20,110	0	0	0	0
Land Held for Sale	0	0	0	0	0	0
TOTAL ASSETS	<u>\$ 10,375</u>	<u>\$ 25,880</u>	<u>\$ 20,000</u>	<u>\$ 78,327</u>	<u>\$ 20</u>	<u>\$ 70,000</u>
LIABILITIES AND FUND						
Liabilities:						
Advance from Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance:						
Restricted	10,375	0	0	0	0	0
Committed	0	25,880	0	0	0	0
Assigned	0	0	20,000	78,327	20	70,000
Unassigned	0	0	0	0	0	0
Total Fund Balance	<u>10,375</u>	<u>25,880</u>	<u>20,000</u>	<u>78,327</u>	<u>20</u>	<u>70,000</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,375</u>	<u>\$ 25,880</u>	<u>\$ 20,000</u>	<u>\$ 78,327</u>	<u>\$ 20</u>	<u>\$ 70,000</u>

TIF 2-5	TIF 2-10	TIF 2-7	Capital Improvement Plan	DEED ERCOA Demolition	Total Nonmajor Governmental Funds
\$ 11,780	\$ 111,950	\$ 42,104	\$ 42	\$ 0	\$ 350,368
0	2,022	0	0	0	2,022
0	0	0	0	0	20,110
0	0	0	0	162,223	162,223
<u>\$ 11,780</u>	<u>\$ 113,972</u>	<u>\$ 42,104</u>	<u>\$ 42</u>	<u>\$ 162,223</u>	<u>\$ 534,723</u>
\$ 26,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,642
0	113,972	42,104	0	162,223	328,674
0	0	0	0	0	25,880
0	0	0	42	0	168,389
(14,862)	0	0	0	0	(14,862)
<u>(14,862)</u>	<u>113,972</u>	<u>42,104</u>	<u>42</u>	<u>162,223</u>	<u>508,081</u>
<u>\$ 11,780</u>	<u>\$ 113,972</u>	<u>\$ 42,104</u>	<u>\$ 42</u>	<u>\$ 162,223</u>	<u>\$ 534,723</u>

CITY OF BRAHAM, MINNESOTA

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

	SCDP Grant Rehab	Economic Development Authority	Technology Reserve	Street Improvement Reserve	Equipment Replacement Reserve	Park Development Reserve
Revenues:						
Tax Increment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:						
Current:						
Economic Development	<u>0</u>	<u>13,377</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	0	(13,377)	0	0	0	0
Fund Balance - January 1	<u>10,375</u>	<u>39,257</u>	<u>20,000</u>	<u>78,327</u>	<u>20</u>	<u>70,000</u>
Fund Balance - December 31	<u>\$ 10,375</u>	<u>\$ 25,880</u>	<u>\$ 20,000</u>	<u>\$ 78,327</u>	<u>\$ 20</u>	<u>\$ 70,000</u>

<u>TIF 2-5</u>	<u>TIF 2-10</u>	<u>TIF 2-7</u>	<u>Capital Improvement Plan</u>	<u>DEED ERCOA Demolition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 0	\$ 25,641	\$ 23,840	\$ 0	\$ 0	\$ 49,481
<u>833</u>	<u>833</u>	<u>47,913</u>	<u>0</u>	<u>0</u>	<u>62,956</u>
(833)	24,808	(24,073)	0	0	(13,475)
<u>(14,029)</u>	<u>89,164</u>	<u>66,177</u>	<u>42</u>	<u>162,223</u>	<u>521,556</u>
<u>\$ (14,862)</u>	<u>\$ 113,972</u>	<u>\$ 42,104</u>	<u>\$ 42</u>	<u>\$ 162,223</u>	<u>\$ 508,081</u>

CITY OF BRAHAM, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2022

	G.O. Bond 2011A	G.O. Equipment Certificates 2016A	G.O. Tax Abatement Bonds 2019A	G.O. Refunding Note 2021A	Total Debt Service Funds
ASSETS					
Cash and Cash Equivalents	\$ 13,706	\$ 44,315	\$ 1,369	\$ 186,025	\$ 245,415
Cash held with Escrow Agent	0	0	10,928	0	10,928
Property Tax Receivable	0	0	0	381	381
Special Assessments	6,474	0	0	113,706	120,180
TOTAL ASSETS	<u>\$ 20,180</u>	<u>\$ 44,315</u>	<u>\$ 12,297</u>	<u>\$ 300,112</u>	<u>\$ 376,904</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Deferred Inflows of Resources:					
Unavailable Revenue	\$ 6,474	\$ 0	\$ 0	\$ 113,706	\$ 120,180
Fund Balance:					
Restricted	<u>13,706</u>	<u>44,315</u>	<u>12,297</u>	<u>186,406</u>	<u>256,724</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 20,180</u>	<u>\$ 44,315</u>	<u>\$ 12,297</u>	<u>\$ 300,112</u>	<u>\$ 376,904</u>

CITY OF BRAHAM, MINNESOTA

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

For the Year Ended December 31, 2022

	G.O. Refunding Bonds 2011A	G.O. Equipment Certificates 2016A	G.O. Tax Abatement Bonds 2019A	G.O. Refunding Note 2021A	Total Debt Service Funds
Revenues:					
Property Taxes	\$ 50,662	\$ 16,740	\$ 11,906	\$ 132,047	\$ 211,355
Special Assessments	3,506	0	0	43,215	46,721
Total Revenues	<u>54,168</u>	<u>16,740</u>	<u>11,906</u>	<u>175,262</u>	<u>258,076</u>
Expenditures:					
Debt Service:					
Principal	55,000	19,362	19,342	126,000	219,704
Interest	6,482	2,213	3,675	28,566	40,936
Total Expenditures	<u>61,482</u>	<u>21,575</u>	<u>23,017</u>	<u>154,566</u>	<u>260,640</u>
Change in Fund Balance	(7,314)	(4,835)	(11,111)	20,696	(2,564)
Fund Balance - January 1	<u>21,020</u>	<u>49,150</u>	<u>23,408</u>	<u>165,710</u>	<u>259,288</u>
Fund Balance - December 31	<u>\$ 13,706</u>	<u>\$ 44,315</u>	<u>\$ 12,297</u>	<u>\$ 186,406</u>	<u>\$ 256,724</u>

CITY OF BRAHAM, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Checking	\$ (71,744)	\$ (133,488)
Investments	147,679	151,269
Receivables:		
Accounts	8,253	10,174
Property Taxes	35,549	21,148
Prepaid Expense	98,343	90,082
Land held for Sale	<u>63,606</u>	<u>71,028</u>
TOTAL ASSETS	<u>\$ 281,686</u>	<u>\$ 210,213</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 17,254	\$ 17,825
Accrued Wages	71,285	29,778
Unearned Revenue	<u>47,161</u>	<u>15,630</u>
Total Liabilities	<u>135,700</u>	<u>63,233</u>
Deferred Inflows of Resources:		
Unavailable Revenue	<u>20,969</u>	<u>22,510</u>
Fund Balance:		
Nonspendable	161,949	161,110
Unassigned	<u>(36,932)</u>	<u>(36,640)</u>
Total Fund Balance	<u>125,017</u>	<u>124,470</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 281,686</u>	<u>\$ 210,213</u>

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Revenues:					
Taxes:					
Property Taxes	\$ 587,321	\$ 587,321	\$ 580,420	\$ (6,901)	\$ 472,209
Franchise Fees	10,300	10,300	7,274	(3,026)	8,318
Total Taxes	597,621	597,621	587,694	(9,927)	480,527
Special Assessments	35,000	35,000	21,000	(14,000)	285
Intergovernmental:					
Local Government Aid	636,334	636,334	636,334	0	627,962
MV Credit	0	0	149	149	141
Small Cities Assistance	0	0	0	0	37,464
Police Aid	35,000	35,000	45,074	10,074	45,963
Police Training Reimbursement	0	0	7,314	7,314	6,774
Fire Training Reimbursement	4,200	4,200	0	(4,200)	6,780
Muni State Aid St Maintenance	5,000	5,000	0	(5,000)	7,465
Muni State Aid St Construction	5,000	5,000	0	(5,000)	0
Other State Aid Grants	0	0	1,221	1,221	0
PERA Aid	1,500	1,500	0	(1,500)	0
Federal Aid - TZD	0	0	0	0	1,562
Total Intergovernmental	687,034	687,034	690,092	3,058	734,111
Licenses	5,300	5,300	15,895	10,595	12,812
Charges for Services:					
Fire Contracts	58,300	58,300	95,652	37,352	68,322
Rental Income	36,000	36,000	600	(35,400)	21,513
Other Charges	7,000	7,000	1,832	(5,168)	2,521
Total Charges for Services	101,300	101,300	98,084	(3,216)	92,356
Fines and Fees	23,500	23,500	19,819	(3,681)	23,636
Other Revenues:					
Interest and Dividends	2,000	2,000	7,999	5,999	34,645
Other Revenue	3,500	3,500	24,711	21,211	121,934
Donations	5,000	5,000	15,119	10,119	21,558
Total Other Revenues	10,500	10,500	47,829	37,329	178,137
Total Revenues	1,460,255	1,460,255	1,480,413	20,158	1,521,864
Expenditures:					
Current:					
General Government:					
General Governance:					
Office Supplies	0	0	0	0	132
Janitorial Supplies	1,000	1,000	0	(1,000)	913
Operating Expenses	6,500	6,500	1,310	(5,190)	7,154
Professional Services	2,000	2,000	764	(1,236)	75

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
General Government:					
General Governance: (Continued)					
Other Professional Services	\$ 0	\$ 0	\$ 95	\$ 95	\$ 5,511
Engineering Fees	0	0	0	0	4,720
Legal Fees	0	0	0	0	14,024
Technology Expenses	1,635	1,635	128	(1,507)	60
Postage	0	0	0	0	14
General Notices and Public Info	0	0	0	0	561
Ordinance Publication	0	0	4,537	4,537	1,613
General Liability Insurance	0	0	1,562	1,562	1,743
Repairs/Maint Buildings	1,000	1,000	0	(1,000)	639
Dues and Subscriptions	0	0	84	84	126
Property Taxes	0	0	4,813	4,813	517
Mayor and Council:					
Wages and Salaries	11,367	11,367	11,367	0	11,367
Per Diem	4,500	4,500	2,880	(1,620)	4,916
PERA	0	0	0	0	53
FICA	984	984	868	(116)	994
MEDICARE	230	230	203	(27)	236
Workers Comp Insurance Premium	300	300	615	315	346
Legal Fees	0	0	181	181	224
Meetings and Training	0	0	137	137	0
Technology Expenses	350	350	0	(350)	347
Travel Expenses	100	100	0	(100)	73
Printing/Binding (General)	0	0	55	55	0
Legal Notices Publishing	300	300	720	420	979
General Notices and Public Info	300	300	27	(273)	0
Ordinance Publishing	600	600	0	(600)	358
Dues and Subscriptions	2,400	2,400	855	(1,545)	280
Administration:					
Wages and Salaries	135,138	133,138	120,716	(12,422)	142,610
Per Diem	840	0	1,000	1,000	570
PERA	10,135	10,135	7,694	(2,441)	7,868
FICA	8,379	8,379	7,162	(1,217)	9,240
MEDICARE	1,960	1,960	1,675	(285)	2,161
Employer Paid Health	43,464	43,464	28,946	(14,518)	33,828
Unemployment Benefit Payments	0	0	0	0	866
Workers Comp Insurance Premium	900	900	1,924	1,024	1,384
Office Supplies	1,500	1,500	1,063	(437)	919
Printed Forms	0	0	68	68	0
Envelopes and Letterhead	0	0	447	447	295
Training/Inst Materials	0	0	55	55	0
Janitorial Supplies	300	300	366	66	860

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
General Government:					
Administration: (Continued)					
Operating Expenses	\$ 1,000	\$ 1,000	\$ 514	\$ (486)	\$ 2,879
Operating Supplies	0	0	168	168	0
Repair/Maint Supplies	0	0	8	8	0
Equipment	0	0	0	0	67
Building Repair Supplies	0	0	0	0	6
Professional Services	1,000	1,000	2,294	1,294	0
Other Professional Services	3,000	3,000	6,060	3,060	3,385
Legal Fees	1,000	1,000	3,847	2,847	272
Personal Testing Fees	0	0	209	209	0
Meetings and Training	1,000	1,000	290	(710)	415
Technology Expenses	8,000	11,100	14,251	3,151	11,332
Telephone	3,000	3,000	1,737	(1,263)	3,502
Postage	1,200	1,200	50	(1,150)	320
Travel Expenses	800	800	66	(734)	241
Advertising	0	0	0	0	182
Legal Notices Publishing	0	0	628	628	0
General Notices and Public Info	0	0	295	295	0
Property Insurance	13,000	13,000	12,447	(553)	12,310
Electric Utilities	4,000	4,000	3,112	(888)	3,463
City Utilities	800	800	42	(758)	653
Gas Utilities	3,300	3,300	595	(2,705)	1,778
Repairs/Maint Buildings	0	0	477	477	426
Repairs/Maint Machinery	0	0	0	0	132
Miscellaneous	0	0	692	692	867
Dues and Subscriptions	300	300	3,175	2,875	4,004
Safety	492	492	139	(353)	0
Elections:					
Temporary Employees Regular	1,365	1,365	2,998	1,633	0
Operating Expenses	2,100	2,100	112	(1,988)	715
Professional Services	0	0	0	0	3,736
Travel Expenses	100	100	36	(64)	0
Total General Government	<u>281,639</u>	<u>281,899</u>	<u>256,559</u>	<u>(25,340)</u>	<u>309,261</u>
Public Safety:					
Building Inspector:					
Wages and Salaries	0	0	0	0	12,329
Temporary Employees Regular	0	0	0	0	150
PERA	0	0	0	0	925
FICA	0	0	0	0	641
MEDICARE	0	0	0	0	150
Employer Paid Health Insurance	0	0	0	0	2,357
Office Supplies	0	0	0	0	54

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
Public Safety:					
Building Inspector: (Continued)					
Operating Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 626
Professional Services	2,000	2,000	7,405	5,405	68,100
Professional Services	0	0	580	580	2,985
Engineering Fees	0	0	0	0	255
Legal Fees	0	0	0	0	1,114
Meetings and Training	0	0	0	0	120
Technology Expenses	0	0	0	0	571
Travel Expenses	0	0	0	0	290
General Notices and Public Info	500	500	0	(500)	0
Ordinance Publication	0	0	0	0	82
Automotive Insurance	0	0	1,379	1,379	0
Vehicle Repair/Maintenance	0	0	0	0	32
Dues and Subscriptions	0	0	0	0	154
Public Safety:					
Police Department:					
Wages and Salaries	338,811	338,811	379,304	40,493	334,732
Part-Time Employees	16,901	16,901	3,462	(13,439)	20,017
Per Diem	360	360	50	(310)	270
PERA	62,961	62,961	60,351	(2,610)	62,199
FICA	2,860	2,860	2,797	(63)	328
MEDICARE	5,158	5,158	5,321	163	5,335
Employer Paid Health	130,392	130,392	113,905	(16,487)	86,381
Unemployment Benefits Payments	0	0	0	0	2,833
Workers Comp Insurance Premium	7,000	7,000	13,269	6,269	10,386
Office Supplies	1,500	1,500	1,390	(110)	428
Accessories	0	0	10	10	0
Training/Inst Materials	3,000	3,000	2,619	(381)	3,631
Janitorial Supplies	200	200	88	(112)	488
Operating Expenses	2,600	2,600	4,180	1,580	1,842
Motor Fuels	20,000	20,000	23,331	3,331	23,009
Operating Supplies	0	0	27	27	666
Repair/Maint Supplies	0	0	0	0	18
Equipment	0	0	0	0	119
Tires	0	0	0	0	1,095
Professional Services	0	0	1,683	1,683	5,743
Other Professional Services	3,000	3,000	580	(2,420)	2,985
Legal Fees	34,000	34,000	19,384	(14,616)	17,127
Meetings and Training	3,800	3,800	9,136	5,336	2,029
Technology Expenses	8,000	8,305	12,076	3,771	14,647

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
Public Safety:					
Police Department: (Continued)					
Telephone	\$ 2,600	\$ 2,600	\$ 3,412	\$ 812	\$ 2,496
Postage	500	500	36	(464)	350
Travel Expenses	0	0	269	269	122
Advertising/Promotion	0	0	0	0	38
General Liability Insurance	14,000	14,000	12,724	(1,276)	0
Property Insurance	14,000	14,000	8,926	(5,074)	13,125
Automotive Insurance	6,000	6,000	6,714	714	6,429
Electric Utilities	600	600	520	(80)	540
City Utilities	600	600	42	(558)	499
Gas Utilities	2,000	2,000	595	(1,405)	858
Repairs/Maint Buildings	200	200	1,818	1,618	73
Vehicle Repairs/Maint	8,000	8,000	8,532	532	8,044
Repairs/Maint Machinery/Equip	700	700	4,609	3,909	608
Uniform Expense	6,000	6,000	10,196	4,196	7,636
Miscellaneous	0	0	200	200	285
Dues and Subscriptions	6,000	6,000	1,713	(4,287)	6,831
Towing Charges	0	0	0	0	255
Admin Fines - PD	500	500	210	(290)	458
Fire Department:					
Wages and Salaries	25,000	25,000	37,172	12,172	29,269
PERA	0	0	0	0	602
FICA	1,550	1,550	1,123	(427)	1,815
MEDICARE	363	363	263	(100)	424
Employer Paid Health	2,797	2,797	0	(2,797)	2,816
Workers Comp Insurance Premium	6,000	6,000	12,396	6,396	9,693
Office Supplies	50	50	53	3	97
Training/Inst Materials	100	100	1,070	970	0
Janitorial Supplies	50	50	25	(25)	99
Operating Expenses	100	100	648	548	556
Motor Fuels	3,000	3,000	8,540	5,540	2,316
Lubricants and Additives	0	0	0	0	200
Operating Supplies	0	2,000	0	(2,000)	19
Repair/Maint Supplies	0	0	304	304	201
Equipment	0	0	12,254	12,254	10,152
Tires	0	0	0	0	960
Building Repair Supplies	0	0	26	26	136
Misc Repair Supplies	100	100	521	421	6
Small Tools & Minor Equipment	100	100	242	142	3,744
Professional Services	1,000	1,000	325	(675)	0

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
Public Safety:					
Fire Department: (Continued)					
Other Professional Services	\$ 2,000	\$ 2,000	\$ 580	\$ (1,420)	\$ 4,565
Personal Testing Fees	0	0	515	515	1,986
Meetings and Training	100	100	3,894	3,794	9,778
Technology Expenses	500	500	0	(500)	826
Telephone	650	650	221	(429)	625
Postage	300	300	0	(300)	334
Radio Units	1,000	1,000	4,200	3,200	402
Travel Expenses	500	500	63	(437)	0
Advertising/Promotions	0	0	0	0	82
General Liability Insurance	700	700	0	(700)	0
Property Insurance	3,500	3,500	3,340	(160)	3,322
Automotive Insurance	2,700	2,700	2,859	159	2,616
Electric Utilities	3,500	3,500	2,979	(521)	3,242
City Utilities	850	850	151	(699)	1,184
Gas Utilities	2,800	2,800	4,209	1,409	1,413
Repairs/Maint Buildings	500	500	146	(354)	239
Vehicle Repairs/Maint	2,000	2,000	4,247	2,247	1,870
Repairs/Maint Machinery/Equip	5,000	5,000	8,461	3,461	3,986
Uniform Expense	0	0	57	57	0
Miscellaneous	4,500	4,500	3,918	(582)	5,280
Dues and Subscriptions	4,000	3,695	343	(3,352)	1,650
Safety	500	500	0	(500)	0
Total Public Safety	780,553	782,553	837,988	55,435	842,395
Public Works:					
Wages and Salaries	216,428	216,428	208,214	(8,214)	155,378
PERA	16,232	16,232	14,213	(2,019)	12,065
FICA	13,419	13,419	12,415	(1,004)	10,152
MEDICARE	3,138	3,138	2,903	(235)	2,374
Employer Paid Health	51,672	51,672	64,881	13,209	36,125
Unemployment Benefit Payments	0	0	0	0	866
Workers Comp Insurance Premium	5,000	5,000	9,772	4,772	7,617
Office Supplies	500	500	38	(462)	486
Training/Inst Materials	200	200	0	(200)	54
Janitorial Supplies	1,000	1,000	715	(285)	1,902
Operating Expenses	1,200	1,200	1,200	0	216
Motor Fuels	7,500	7,500	14,147	6,647	5,901
Lubricants and Additives	0	0	948	948	378
Shop Supplies	4,000	4,000	1,333	(2,667)	5,181
Chemicals and Chem Products	1,000	1,000	6,267	5,267	1,478
Operating Supplies	0	0	1,828	1,828	304
Repair/Maint Supplies	0	0	408	408	0
Equipment	0	0	1,601	1,601	805
Tires	0	0	90	90	1,672

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
Public Works: (Continued)					
Building Repair Supplies	\$ 0	\$ 0	\$ 400	\$ 400	\$ 3,100
Street Maint Materials	25,000	22,000	20,350	(1,650)	49,433
Landscaping Materials	0	0	285	285	1,184
Utility Maintenance Supplies	0	0	58	58	15
Misc Repair Supplies	0	0	28	28	45
Small Tools and Minor Equip	300	300	538	238	37
Professional Services	20,000	20,000	1,344	(18,656)	0
Other Professional Services	2,000	2,000	580	(1,420)	2,985
Engineering Fees	0	0	0	0	6,784
Personal Testing Fees	0	0	141	141	0
Meetings and Training	500	500	240	(260)	508
Technology Expenses	500	500	43	(457)	539
Telephone	2,500	2,500	1,940	(560)	2,712
Postage	200	200	0	(200)	320
Travel Expenses	50	50	0	(50)	0
Property Insurance	8,300	8,300	5,556	(2,744)	7,879
Automotive Insurance	2,500	2,500	2,342	(158)	2,530
Electric Utilities	34,000	34,000	27,384	(6,616)	27,546
City Utilities	800	800	105	(695)	815
Gas Utilities	2,800	2,800	3,201	401	3,216
Refuse/Garbage Disposal	0	0	0	0	1,581
Repairs/Maint Buildings	500	500	2,754	2,254	529
Repairs/Maint Structures	500	500	0	(500)	623
Vehicle Repairs/Maint	7,500	7,500	4,344	(3,156)	7,982
Repairs/Maint Machinery/Equip	14,000	11,428	8,197	(3,231)	14,999
Uniform Expense	2,200	2,200	2,096	(104)	3,224
Miscellaneous	0	0	137	137	0
Dues and Subscriptions	1,600	1,600	405	(1,195)	834
Safety	857	857	631	(226)	0
Total Public Works	<u>447,896</u>	<u>442,324</u>	<u>424,072</u>	<u>(18,252)</u>	<u>382,374</u>
Parks and Recreation:					
Wages and Salaries	0	(260)	0	260	14,120
Part-Time Employees	15,600	15,600	0	(15,600)	0
PERA	1,170	1,170	0	(1,170)	1,045
FICA	967	967	0	(967)	876
MEDICARE	226	226	0	(226)	205
Employer Paid Health	0	0	0	0	3,268
Office Supplies	0	0	0	0	22
Janitorial Supplies	0	0	0	0	99

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Expenditures - (Continued)					
Current:					
Parks and Recreation: (Continued)					
Shop Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120
Chemicals and Chem Products	6,000	6,000	1,000	(5,000)	2,959
Operating Supplies	500	500	0	(500)	1,246
Repair/Maint Supplies	0	0	2	2	380
Equipment	0	0	0	0	13,873
Landscaping Materials	5,000	5,000	3,119	(1,881)	6,938
Professional Services	0	0	50	50	200
Other Professional Services	2,000	2,000	0	(2,000)	0
Engineering Fees	0	0	0	0	18,991
Personal Testing Fees	200	200	0	(200)	0
Technology Expenses	350	350	0	(350)	464
Insurance (General)	2,500	2,500	0	(2,500)	0
Property Insurance	3,000	3,000	2,493	(507)	2,821
Electric Utilities	1,000	1,000	1,746	746	1,028
Repairs/Maintenance Buildings	1,000	1,000	0	(1,000)	0
Repairs/Maint Structures	500	500	3,700	3,200	1,775
Vehicle Repairs/Maintenance	0	0	0	0	3
Repairs/Maint Machinery/Equip	300	300	586	286	113
Safety	300	300	0	(300)	0
Total Parks and Recreation	<u>40,613</u>	<u>40,353</u>	<u>12,696</u>	<u>(27,657)</u>	<u>70,546</u>
Economic Development:					
Temporary Employees Regular	0	0	0	0	350
FICA	0	0	0	0	22
MEDICARE	0	0	0	0	5
Legal Fees	0	0	0	0	48
Total Economic Development	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>425</u>
Total Current Expenditures	<u>1,550,701</u>	<u>1,547,129</u>	<u>1,531,315</u>	<u>(15,814)</u>	<u>1,605,001</u>
Capital Outlay:					
General Government	0	0	805	805	13,990
Public Safety	10,000	8,000	81,771	73,771	36,437
Public Works	20,000	25,572	25,641	69	48,988
Parks and Recreation	0	0	0	0	49,026
Total Capital Outlay	<u>30,000</u>	<u>33,572</u>	<u>108,217</u>	<u>74,645</u>	<u>148,441</u>

CITY OF BRAHAM, MINNESOTA

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

	Budget		2022 Actual Amounts	Over (Under) Final Budget	2021 Actual Amounts
	Original	Final			
Total Expenditures	\$ 1,580,701	\$ 1,580,701	\$ 1,639,532	\$ 58,831	\$ 1,753,442
Excess of Revenue Over (Under) Expenditures	(120,446)	(120,446)	(159,119)	(38,673)	(231,578)
Other Financing Sources (Uses):					
Transfers In	80,000	80,000	60,000	(20,000)	105,000
Debt Issuance	0	0	73,416	(73,416)	0
Sale of Capital Assets	0	0	26,250	26,250	3,650
Total Other Financing Sources (Uses)	80,000	80,000	159,666	79,666	108,650
Change in Fund Balance	\$ (40,446)	\$ (40,446)	547	\$ 40,993	(122,928)
Fund Balance - January 1			124,470		247,398
Fund Balance - December 31			\$ 125,017		\$ 124,470

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF NET POSITION

WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 273,525	\$ 260,147
Accounts Receivable	31,825	35,401
Prepaid Expense	14,690	10,371
Total Current Assets	<u>320,040</u>	<u>305,919</u>
Noncurrent Assets:		
Advance to Other Funds	10,252	14,352
Lease Receivable	65,186	0
Buildings and Improvements	1,832,007	1,832,007
Infrastructure	1,442,956	1,442,956
Machinery and Equipment	59,366	59,366
Accumulated Depreciation	(870,488)	(811,419)
Total Assets	<u>2,859,319</u>	<u>2,843,181</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>17,127</u>	<u>33,612</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,876,446</u>	<u>\$ 2,876,793</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 1,303	\$ 13,755
Accrued Expenses	6,606	9,320
Current Portion of Long-term Debt	166,500	152,350
Total Current Liabilities	<u>174,409</u>	<u>175,425</u>
Long-Term Liabilities:		
Compensated Absences	971	1,051
Long-term Debt, Net of Current Maturities	717,150	883,650
Net Pension Liability	23,913	38,180
Total Liabilities	<u>916,443</u>	<u>1,098,306</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	13,287	38,549
Lease Deferments	63,200	0
Total Deferred Inflows of Resources	<u>76,487</u>	<u>38,549</u>
Net Position:		
Net Investment in Capital Assets	1,580,191	1,564,909
Unrestricted	303,325	175,029
Total Net Position	<u>1,883,516</u>	<u>1,739,938</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,876,446</u>	<u>\$ 2,876,793</u>

CITY OF BRAHAM, MINNESOTA

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

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Service	\$ 515,611	\$ 335,944	\$ (179,667)	\$ 372,632
Operating Expenses:				
Personnel	95,774	12,446	(83,328)	98,394
Administrative Expense	6,230	2,860	(3,370)	3,676
Operating Supplies	22,200	9,703	(12,497)	32,044
Professional Services	40,357	81,408	41,051	72,469
Insurance	2,854	7,135	4,281	4,532
Utilities	20,525	21,841	1,316	20,636
Repairs and Maintenance	3,000	11,192	8,192	6,712
Other Expenses	8,135	7,746	(389)	7,442
Depreciation	0	59,069	59,069	54,913
Total Operating Expenses	<u>199,075</u>	<u>213,400</u>	<u>14,325</u>	<u>300,818</u>
Income (Loss) from Operations	<u>316,536</u>	<u>122,544</u>	<u>(193,992)</u>	<u>71,814</u>
Nonoperating Revenues (Expenses):				
Interest Expense	(8,686)	(14,546)	(5,860)	(27,069)
Other Revenues	26,160	35,580	9,420	22,254
Interest Earnings	1,049	0	(1,049)	1,841
Total Nonoperating Revenues (Expenses)	<u>18,523</u>	<u>21,034</u>	<u>2,511</u>	<u>(2,974)</u>
Change in Net Position	<u>\$ 335,059</u>	143,578	<u>\$ (191,481)</u>	68,840
Net Position - January 1		<u>1,739,938</u>		<u>1,671,098</u>
Net Position - December 31		<u>\$ 1,883,516</u>		<u>\$ 1,739,938</u>

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 182,297	\$ 115,844
Accounts Receivable	37,567	33,232
Prepaid Expense	24,252	18,863
Total Current Assets	244,116	167,939
Noncurrent Assets:		
Buildings and Improvements	2,386,584	2,386,584
Infrastructure	1,313,363	1,313,363
Machinery and Equipment	638,850	463,850
Accumulated Depreciation	(1,657,387)	(1,575,335)
Advance to Other Funds	58,094	70,683
Total Assets	2,983,620	2,827,084
Deferred Outflows of Resources:		
Pension Plan Deferments	17,127	36,729
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,000,747	\$ 2,863,813
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 4,020	\$ 38,914
Accrued Expenses	2,278	2,872
Current Portion of Long-term Debt	40,251	21,650
Total Current Liabilities	46,549	63,436
Long-Term Liabilities:		
Compensated Absences	971	1,051
Long-term Debt, Net of Current Maturities	878,265	758,350
Net Pension Liability	23,913	41,721
Total Liabilities	949,698	864,558
Deferred Inflows of Resources:		
Pension Plan Deferments	13,287	42,125
Net Position:		
Net Investment in Capital Assets	1,762,893	1,860,461
Unrestricted	274,869	96,669
Total Net Position	2,037,762	1,957,130
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,000,747	\$ 2,863,813

CITY OF BRAHAM, MINNESOTA

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

For the Year Ended December 31, 2022

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

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Service	\$ 364,639	\$ 353,234	\$ (11,405)	\$ 373,221
Operating Expenses:				
Personnel	95,896	7,319	(88,577)	108,666
Administrative Expense	2,290	3,448	1,158	3,652
Operating Supplies	23,100	15,430	(7,670)	16,938
Professional Services	146,820	174,767	27,947	187,585
Insurance	4,961	7,962	3,001	6,449
Utilities	57,688	43,606	(14,082)	47,649
Repairs and Maintenance	3,500	28,576	25,076	217,096
Other Expenses	310	1,759	1,449	2,202
Depreciation	0	82,052	82,052	67,568
Total Operating Expenses	<u>334,565</u>	<u>364,919</u>	<u>30,354</u>	<u>657,805</u>
Income (Loss) From Operations	<u>30,074</u>	<u>(11,685)</u>	<u>(41,759)</u>	<u>(284,584)</u>
Nonoperating Revenues (Expenses):				
Interest Expense	(13,280)	(18,520)	(5,240)	(19,276)
Other Revenues	8,050	110,837	102,787	111,949
Interest Earnings	0	0	0	1,699
Total Nonoperating Revenues (Expenses)	<u>(5,230)</u>	<u>92,317</u>	<u>97,547</u>	<u>94,372</u>
Change in Net Position	<u>\$ 24,844</u>	80,632	<u>\$ 55,788</u>	(190,212)
Net Position - January 1		<u>1,957,130</u>		<u>2,147,342</u>
Net Position - December 31		<u>\$ 2,037,762</u>		<u>\$ 1,957,130</u>

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF NET POSITION

MUNICIPAL LIQUOR FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 86,712	\$ 93,146
Inventory	289,676	258,053
Prepaid Expense	15,706	15,903
Total Current Assets	<u>392,094</u>	<u>367,102</u>
Noncurrent Assets:		
Buildings and Improvements	505,799	505,799
Machinery and Equipment	92,076	92,076
Accumulated Depreciation	(260,577)	(247,095)
Total Assets	<u>729,392</u>	<u>717,882</u>
Deferred Outflows of Resources:		
Pension Plan Deferments	<u>135,965</u>	<u>69,379</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 865,357</u>	<u>\$ 787,261</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 33,852	\$ 33,110
Accrued Expenses	8,184	4,663
Total Current Liabilities	<u>42,036</u>	<u>37,773</u>
Long-Term Liabilities:		
Compensated Absences	3,877	1,051
Advance from Other Funds	41,704	58,393
Net Pension Liability	189,837	78,809
Total Liabilities	<u>277,454</u>	<u>176,026</u>
Deferred Inflows of Resources:		
Pension Plan Deferments	<u>105,479</u>	<u>79,570</u>
Net Position:		
Net Investment in Capital Assets	337,298	350,780
Unrestricted	145,126	180,885
Total Net Position	<u>482,424</u>	<u>531,665</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 865,357</u>	<u>\$ 787,261</u>

CITY OF BRAHAM, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MUNICIPAL LIQUOR FUND

For the Year Ended December 31, 2022

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

	2022	2021
Operating Revenues:		
Beer	\$ 917,951	\$ 950,966
Liquor and Wine	687,609	684,547
Other Operating Revenues	227,743	256,735
Total Operating Revenues	<u>1,833,303</u>	<u>1,892,248</u>
Cost of Revenues:		
Beer	751,446	740,222
Liquor and Wine	464,526	506,070
Miscellaneous	168,465	199,801
Total Cost of Revenues	<u>1,384,437</u>	<u>1,446,093</u>
Gross Profit	<u>448,866</u>	<u>446,155</u>
Operating Expenses:		
Personnel	330,332	164,036
Administrative Expenses	11,783	19,102
Operating Supplies	27,201	13,375
Professional Services	14,082	16,464
Insurance	10,190	8,010
Utilities	20,096	20,167
Credit Cards Fees	23,064	29,327
Repairs and Maintenance	1,006	10,379
Other Expenses	4,254	4,852
Depreciation	13,483	14,041
Total Operating Expenses	<u>455,491</u>	<u>299,753</u>
Income (Loss) From Operations	<u>(6,625)</u>	<u>146,402</u>
Nonoperating Revenues (Expenses):		
Lottery Profit	14,722	15,471
Other Revenues	2,662	5,897
Interest Earnings	0	716
Total Nonoperating Revenues (Expenses)	<u>17,384</u>	<u>22,084</u>
Income (Loss) Before Transfers	10,759	168,486
Operating Transfers Out	<u>(60,000)</u>	<u>(105,000)</u>
Change in Net Position	(49,241)	63,486
Net Position - January 1	<u>531,665</u>	<u>468,179</u>
Net Position - December 31	<u>\$ 482,424</u>	<u>\$ 531,665</u>

OTHER REQUIRED REPORTS

RESERVED FOR AUDITORS' REPORT

RESERVED FOR AUDITORS' REPORT

CITY OF BRAHAM, MINNESOTA

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

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2022-001. Material Audit Adjustments

Condition:	The audit firm proposed, and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

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

Significant Deficiencies

Finding 2022-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does have an internal control in place for the review of the drafted financial statements, however, the City does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The City has informed us they do not have the expertise to prepare the annual financial statement disclosures, although, the City has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented, or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

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

Finding 2022-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

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

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-004. Deposits of Public Funds

MSA 118A.01, requires investments in revenue obligations of state or local governments, to be rated AA or better by a national bond rating service.

During 2022, the City had investments in municipal bonds that had ratings below AA.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will work with their investment broker to move their investments into holdings that are authorized by state statute.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

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

Finding 2022-005. Contracting and Bidding

Minn. Stat. §471.345, the Uniform Municipal Contracting Law, was established to provide dollar limits for all municipalities upon contracts which shall or may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. For contracts over \$175,000 - sealed bids, solicited by public notice and subject to the particular requirements of the governmental subdivision are required.

During 2022, the City entered into a contract exceeding \$175,000 and failed to solicit sealed bids by public notice as required by the Uniform Municipal Contracting Law.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will ensure all future contracts exceeding the established limits will be solicited by public notice, unless an exception applies to the particular contract.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

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

Finding 2022-006. Claims and Disbursements

MSA 471.425 subd. 2 (Prompt Payment of Local Government Bills), requires all bills to be paid within 35 days from receipt, for city councils that meet at least once a month, or within the time period set by the terms of the contract.

During 2022, the City did not pay all claims within the time period set by contract or the standard payment period.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will utilize a date stamp for all invoices received to ensure proper notation of date received and will review invoices for timeliness as the payment date approaches.

Official Responsible for Ensuring CAP:

Rachel Kytonen, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF BRAHAM, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2022

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2021-001	Material Audit Adjustments	Not Corrected	2020	See Current Year Finding 2022-001
2021-002	Cash Account Reconciliations	Corrected	2021	N/A
2021-003	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2022-002
2021-004	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2022-003

Minnesota Legal Compliance Findings:

None