

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

CITY OF LA CRESCENT, MINNESOTA

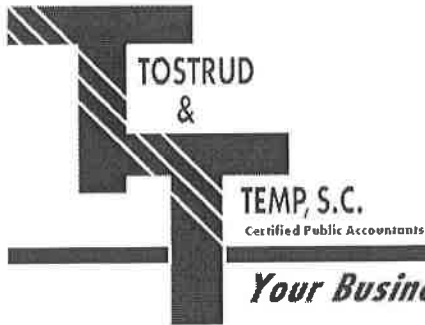
December 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members  
of the City Council  
La Crescent, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

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

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

#### *Basis for Opinions*

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

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

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

In accordance with the provisions of the Legal Compliance Audit Guide pursuant to Minnesota Statutes Sec. 6.65, we have also issued a report dated September 27, 2023 on our consideration of the City of La Crescent, Minnesota's compliance with the requirements of the statutes noted above.

*Tostrud + Temp, S.C.*

September 27, 2023

## MANAGEMENT'S DISCUSSION & ANALYSIS



**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis**  
For the Year Ended December 31, 2022

This discussion and analysis of the City of La Crescent, Minnesota's financial information provides an overall review of financial activities for the fiscal year. The analysis focuses on the City's financial performance as a whole. The City has prepared financial statements following GASB Statement No. 34. Revenue and expense comparisons to the prior fiscal year are used throughout this discussion and analysis letter. This document should be read in conjunction with the Independent Auditor's Report at the front of this report and the City's financial statements, which immediately follow this section.

**Financial Highlights**

Total governmental fund revenues were \$7,997,866; including \$3,452,376 of taxes, \$98,483 of licenses, fees and permits, \$3,443,201 of federal, state and county aids and \$319,155 of charges for services. Total governmental fund expenditures were \$9,150,407, including \$1,741,775 for salaries and wages, \$442,698 for employee benefits, \$1,462,597 for debt service and \$1,619,338 for capital outlay.

The City's net position increased by \$1,933,966. Net position of governmental activities increased \$2,157,100 and business-type activities decreased \$223,134 for the 2022 calendar year. The business-type activities received \$9,073 of capital contributions from the governmental activities.

**Overview of the Financial Statements**

This section of the comprehensive annual financial report consists of three parts: management's discussion and analysis, basic financial statements (government-wide and fund statements) including notes to the financial statements, and other required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the City's financial activities.

- The *Statement of Net position* and *Statement of Activities* provide information on a government-wide basis. These statements present an aggregate view of the City's finances. Government-wide statements contain useful information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the City. Fund statements generally report operations in more detail than the government-wide statements.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

The notes to the financial statements provide further explanation of some of the information in the statements. They provide additional disclosures to statement users to provide a complete picture of the City's financial activities and financial position.

Required supplementary information further explains and supports the financial statements by including schedules on the employee retirement funds and a comparison of the City's budget data to actual results for the year.

The major features of the City's financial statements, including activities reported and the type of information contained therein are shown in the following table.

	Government-wide Statements	Fund Financial Statements	
		Governmental	Proprietary
Scope	Entire City	The activities of the City that are not proprietary or fiduciary, such as administration, police, fire, street maintenance, debt service, and capital projects.	Activities of the City that operate similar to private business. The City operates water, sewer, refuse, auto licensing, golf course and its arena in its six proprietary funds.
Required financial statements	*Statement of net position *Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balance	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows
Basis of accounting and measurement focus	Accrual accounting & total economic resources focus.	Modified accrual accounting; Current financial resources focus	Accrual accounting & total economic resources focus
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, deferred outflows of resources, liabilities and deferred inflows of resources; financial and capital; short-term and long-term.
Type of inflow and outflow information	All revenues and expenses during the 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 the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used in private-sector companies. The Statement of Activities reports all revenues and expenses used to support City activities. The two government-wide statements report the City's net position and how this has changed. Net position, the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one way to measure the City's overall financial position. Increases or decreases in the City's net position are one indicator of whether its financial position is improving or deteriorating. To assess the overall financial condition of the City, additional non-financial factors, such as changes in the City's property tax base and the condition of the infrastructure and other facilities should be considered. In the government-wide financial statements, the City's activities are divided into two categories:

- **Governmental activities** – Most of the City's basic services are included here, such as administration, police, fire, street and road maintenance, parks, recreation programs, debt service and capital projects.
- **Business-type activities** – Activities that are intended to be mostly self-supporting and that meet certain accounting criteria are considered business-type activities. The City charges fees to cover the costs of these operations. Six activities (water, sewer, solid waste, license bureau, golf course, and arena funds) are considered business-type activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. The City has determined the following are major funds: general fund, all debt service funds, capital projects funds and all proprietary funds. Non-major funds are all special revenue funds. Funds are accounting devices the City uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The City establishes other funds to control and manage money for particular purposes (such as retiring its long-term debt) or to show that it is properly spending certain revenues (such as capital project funds).

The City has two kinds of funds:

- **Governmental funds** – Most of the City's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs and services. Governmental funds do not report on long-term obligations as these are reported on the government-wide statements.
- **Proprietary funds** – These funds, activities for which the City charges a user fee and/or sells products at a profit and for which revenues are expected to cover all expenses, are reported as proprietary funds. Proprietary funds use the same measurement focus and basis of accounting as is used in preparation of the government-wide statements.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Financial Analysis of the City as a Whole**

Table 1 below provides a summary of the City's net position for the year ended December 31, 2022.

<b>Table 1</b>						
<b>Condensed Statement of Net Position</b>						
(in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total City	
	2021	2022	2021	2022	2021	2022
<b>Assets</b>	27,453.6	30,818.6	12,531.0	12,009.2	39,984.6	42,827.8
<b>Deferred outflows of resources</b>	1,070.1	1,805.2	252.0	196.9	1,322.1	2,002.1
<b>Total assets and deferred outflows of resources</b>	28,523.7	32,623.8	12,783.0	12,206.1	41,306.7	44,829.9
<b>Liabilities</b>	13,719.8	16,963.1	5,313.7	5,256.3	19,033.5	22,219.4
<b>Deferred inflows of resources</b>	1,345.2	44.8	305.1	8.8	1,650.3	53.6
<b>Net position</b>						
Net investment in capital assets	9,438.6	11,458.6	7,282.9	7,202.5	16,721.5	18,661.1
Restricted	3,987.2	5,019.8	-	-	3,987.2	5,019.8
Unrestricted	32.9	(862.5)	(118.7)	(261.5)	(85.8)	(1,124.0)
<b>Total net position</b>	13,458.7	15,615.9	7,164.2	6,941.0	20,622.9	22,556.9
Note: totals may not add due to rounding						

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Financial Analysis of the City as a Whole –Continued**

Table 2 below provides a summary of the City's changes in net position for the year ended December 31, 2022.

<b>Table 2</b> <b>Changes in Net Position from Operations</b> (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total City	
	2021	2022	2021	2022	2021	2022
<b>Revenues</b>						
Program Revenues						
Charges for Services	363.4	419.5	2,528.0	2,703.6	2,891.4	3,123.1
Operating Grants & Contributions	770.8	952.1	2.0	16.8	772.8	968.9
Capital Grants & Contributions	1,519.1	2,236.6	0.8	-	1,519.9	2,236.6
Capital contribution	(281.8)	(9.1)	281.8	9.1	-	-
General Revenues						
Property Taxes	3,296.3	3,399.0	-	-	3,296.3	3,399.0
Unrestricted State Aids	654.6	662.9	-	-	654.6	662.9
Other	574.4	292.4	4.7	1.9	579.1	294.3
<b>Total revenues</b>	<b>6,896.8</b>	<b>7,953.4</b>	<b>2,817.3</b>	<b>2,731.4</b>	<b>9,714.1</b>	<b>10,684.8</b>
<b>Expenses</b>						
General Government	711.2	890.4	-	-	711.2	890.4
Public Safety	1,512.8	1,455.4	-	-	1,512.8	1,455.4
Public Works	1,773.0	2,103.8	-	-	1,773.0	2,103.8
Culture, Recreation and Education	836.3	1,026.1	-	-	836.3	1,026.1
Other						
Water	-	-	812.4	858.9	812.4	858.9
Sewer	-	-	897.8	961.2	897.8	961.2
Solid Waste	-	-	262.9	266.1	262.9	266.1
Golf Course	-	-	450.5	473.0	450.5	473.0
License Bureau	-	-	176.0	157.3	176.0	157.3
Arena	-	-	145.6	215.1	145.6	215.1
Other	5.2	7.8	-	-	5.2	7.8
Principal and Interest	336.7	335.7	-	-	336.7	335.7
<b>Total expenses</b>	<b>5,175.2</b>	<b>5,819.2</b>	<b>2,745.2</b>	<b>2,931.6</b>	<b>7,920.4</b>	<b>8,750.8</b>
<b>Excess revenues (expenses)</b>	<b>1,721.6</b>	<b>2,134.2</b>	<b>72.1</b>	<b>(200.2)</b>	<b>1,793.7</b>	<b>1,934.0</b>
<b>Other Financing Sources (Uses)</b>						
Net Operating Transfers In (Out)	34.9	22.9	(34.9)	(22.9)	-	-
<b>Increase (decrease) in net position</b>	<b>1,756.5</b>	<b>2,157.1</b>	<b>37.2</b>	<b>(223.1)</b>	<b>1,793.7</b>	<b>1,934.0</b>

Note: totals may not add due to rounding.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Financial Analysis of the City as a Whole –Continued**

Table 2 provides summarized operating results and their impact on net position. The City relies primarily on property taxes (43%), unrestricted state aids (8%), operating grants and contributions (12%) and capital grants and contributions (28%) to fund governmental activities.

Table 3 below presents the cost of services of six basic expense categories. The table reports each activity's net cost (total costs less fees/sales generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the City's taxpayers by each of these functions.

<p style="text-align: center;"><b>Table 3</b>  <b>Net Cost of Governmental Activities</b>  (in thousands of dollars)</p>						
	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2021	2022		2021	2022	
General Government	711.2	890.4	25.20%	659.0	852.7	29.40%
Public Safety	1,512.8	1,455.4	-3.80%	1,168.7	1,078.3	-7.70%
Public Works	1,773.0	2,103.8	18.70%	46.5	(441.5)	-1049.50%
Culture, Recreation and Education	836.3	1,026.1	22.70%	305.8	378.7	23.80%
Other	5.2	7.8	50.00%	5.2	7.2	38.50%
Principal and Interest	336.7	335.7	-0.30%	336.7	335.7	-0.30%
<b>Total expenses</b>	<b>5,175.2</b>	<b>5,819.2</b>		<b>2,521.9</b>	<b>2,211.1</b>	

Note: totals may not add due to rounding

The cost of all governmental activities in 2022 was \$5,819,272. Individuals who directly participated or benefited from a program offering paid \$419,547 of the costs. Federal and state governments and a private non-profit organization subsidized certain programs with grants and contributions of \$3,188,713. The net cost of governmental activities (\$2,211,012) was financed by general revenues of the City.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Financial Analysis of the City as a Whole –Continued**

**Business-Type Activities**

Operating revenues for the City's business-type activities were \$2,720,356, comprised of charges for services (54%), penalties and assessments (6%), and miscellaneous revenues (3%). Operating expenses were \$2,822,429 and bond interest and fiscal agent fees were \$107,847. The City contributed \$9,073 in capital contributions. Business-type activities had a decrease in net position of \$223,134 for the year.

**Financial Aspects of the City's Governmental and Proprietary Funds**

The City completed the year with a total governmental fund balance of \$6,764,867, an increase of \$1,466,393 over last year's ending fund balance of \$5,298,474. The fund balance for the City's general fund increased by \$412,989, mostly due to a capital projects transfer from the 2022A GO Bond issue to cover the purchase of the property located at 332 1<sup>st</sup> Street South for \$231,341 and \$292,986 for Spruce and Balsam Street Reconstruction due to the deterioration of those streets paid in 2021. The City's capital projects fund balance increased by \$1,112,614 due to unspent 2022A GO Bond issue proceeds.

**General Fund Budgetary Highlights**

The City reviews an interim budget in October for the subsequent year (beginning January 1<sup>st</sup>). Consistent with current state statutes and regulations, an *original* budget is adopted in December, following determination of official general state aids. Generally, the original budget is not significantly modified. The City did not modify its original 2022 budget.

**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Capital Asset and Debt Administration**

**Capital Assets**

<b>Table 4</b> <b>Capital Assets</b> (net of depreciation, in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total City	
	2021	2022	2021	2022	2021	2022
Land	2,145.0	2,145.0	484.8	484.8	2,629.8	2,629.8
Land improvements	5,551.5	5,551.5	1,157.0	1,157.0	6,708.5	6,708.5
Infrastructure	18,193.8	19,243.9	-	-	18,193.8	19,243.9
Buildings & building improvements	2,218.9	2,248.4	6,898.1	6,918.0	9,117.0	9,166.4
Machinery, equipment and furnishings	5,042.6	5,225.4	762.8	774.1	5,805.4	5,999.5
Distribution system	-	-	14,970.1	14,994.1	14,970.1	14,994.1
Construction in progress	1,602.2	3,944.9	-	-	1,602.2	3,944.9
Accumulated depreciation	(14,862.7)	(16,140.3)	(12,609.9)	(13,328.8)	(27,472.6)	(29,469.1)
<b>Total</b>	<b>19,891.3</b>	<b>22,218.8</b>	<b>11,662.9</b>	<b>10,999.2</b>	<b>31,554.2</b>	<b>33,218.0</b>

Note: totals may not add due to rounding.

By the end of fiscal year 2022, the City had invested \$62,687,240 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation on these assets equaled \$29,469,090 at December 31, 2022. Asset acquisitions for governmental activities totaled \$3,635,691 and asset acquisitions for enterprise funds were \$55,300. The City recognized depreciation expense of \$1,308,197 for governmental activities and \$718,898 for the enterprise funds. Detailed information about capital assets can be found in Note E to the financial statements.

**Long-Term Debt**

At year-end, the City had \$15,923,941 in general obligation bonds, notes payable and land contract outstanding – a net increase of \$865,190 from December 31, 2021. The City issued \$2,585,000 of new 2022A GO bonds for a capital projects.

Debt of the City is secured by an irrevocable tax levy adopted by the City Council at the time of issuance. Debt is primarily financed by tax levies and special assessments.



**City of La Crescent, Minnesota**  
**Management's Discussion and Analysis -Continued**  
For the Year Ended December 31, 2022

**Factors Bearing on the City's Future**

Current known circumstances that will impact the City's financial status in the future are:

1. The City issued building and remodeling permits for 2022 totaling a valuation of \$7.1 million dollars. Included in the \$7.1 million dollars were twenty new single-family home construction permits.
2. The City Council approved a 5.5% levy increase (\$173,909) for 2022. The overall increase is not attributable to any one item, rather it is due to the addition of staff and a general increase in the cost of providing services.
3. The City's taxable market value increased from \$453,937,900 in 2021 to \$603,219,100 in 2022.
4. In 2022, the City reconstructed \$1,100,000 of streets using 2022A Bond funds. The City continues to access and move forward in the planning stages of future street improvement projects that will be funded by Municipal State Aid funds along with street reconstruction bonds issued under the authority of the City's 5-year Street Reconstruction Plan.
5. The third phase of the Wagon Wheel Project connects the current trail to downtown La Crescent by construction of a bike/pedestrian bridge crossing over US Highway 61. The total project cost is \$3.6 million which is fully funded with \$1.0 million in Transportation Alternatives Grant funds from MnDOT, \$2.5 million from the 2018 State of MN bonding bill, and the balance from Municipal State Aid funds. The construction of the bike/pedestrian bridge was open to the public in the fall of 2022 and the project will be completed in 2023.
6. The second Small Cities Development Program Grant that the City was awarded in 2017 in the amount of \$372,900 has been finalized and all funds were expended. This grant was officially closed out on March 30, 2022. The City has successfully applied for a third Small Cities Development Program Grant in the amount of \$552,000 for home rehabilitation for qualifying homeowners. This SCDP Grant period is from August 24, 2022, through September 30, 2024. Applicants who qualify can receive up to \$24,000 per home for qualifying improvements to their property. Semcac will provide the administrative support for this project.

**Contacting the City's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, 315 Main Street, La Crescent, Minnesota 55947, (507) 895-2595.

**BASIC FINANCIAL STATEMENTS**

City of La Crescent, Minnesota  
**STATEMENT OF NET POSITION**  
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash and investments	\$ 7,634,124	\$ 399,341	\$ 8,033,465
Receivables			
Taxes	22,400	-	22,400
Accounts	21,672	298,231	319,903
Special assessments	59,876	44,466	104,342
Interest	7,358	385	7,743
Due from other governments	55,074	28,509	83,583
Inventories	-	4,531	4,531
Prepaid expenses	58,825	18,902	77,727
	<u>7,859,329</u>	<u>794,365</u>	<u>8,653,694</u>
Other assets			
Capital assets, net	22,218,842	10,999,308	33,218,150
Special assessments	717,111	215,489	932,600
Note receivable	23,333	-	23,333
	<u>22,959,286</u>	<u>11,214,797</u>	<u>34,174,083</u>
Total assets	<u>30,818,615</u>	<u>12,009,162</u>	<u>42,827,777</u>
<b>Deferred outflows of resources</b>			
Pension plan	<u>1,805,231</u>	<u>196,929</u>	<u>2,002,160</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 32,623,846</u>	<u>\$ 12,206,091</u>	<u>\$ 44,829,937</u>
<b>Liabilities</b>			
Current liabilities			
Noncurrent liabilities due within one year	\$ 1,157,952	\$ 618,701	\$ 1,776,653
Bank overdraft	7,997	550,177	558,174
Accounts payable	379,154	83,031	462,185
Accrued liabilities	243,949	74,809	318,758
Deposits	10,100	-	10,100
Unearned revenue	558,239	6,320	564,559
Total current liabilities	<u>2,357,391</u>	<u>1,333,038</u>	<u>3,690,429</u>
Noncurrent liabilities			
Bonds and notes payable due in more than one year	11,208,147	3,090,000	14,298,147
Vested employee benefits	134,171	74,161	208,332
Pension plan	2,937,363	617,219	3,554,582
Unamortized bond premium	326,115	141,835	467,950
Total noncurrent liabilities	<u>14,605,796</u>	<u>3,923,215</u>	<u>18,529,011</u>
Total liabilities	<u>16,963,187</u>	<u>5,256,253</u>	<u>22,219,440</u>
<b>Deferred inflows of resources</b>			
Pension plan	44,821	8,823	53,644
<b>Net Position</b>			
Net investment in capital assets	11,458,552	7,202,473	18,661,025
Restricted			
Debt service	2,769,970	-	2,769,970
Other	2,249,827	-	2,249,827
Unrestricted	(862,511)	(261,458)	(1,123,969)
Total net position	<u>15,615,838</u>	<u>6,941,015</u>	<u>22,556,853</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 32,623,846</u>	<u>\$ 12,206,091</u>	<u>\$ 44,829,937</u>

The accompanying notes are an integral part of this statement.

City of La Crescent, Minnesota  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities</b>							
Current							
General government	\$ 890,415	\$ 23,849	\$ 13,888	\$ -	\$ (852,678)	\$ -	\$ (852,678)
Public safety	1,455,408	192,692	184,444	-	(1,078,272)	-	(1,078,272)
Public works	2,103,829	7,745	300,986	2,236,639	441,541	-	441,541
Culture, recreation, and education	1,026,149	195,261	452,156	-	(378,732)	-	(378,732)
Other	7,764	-	600	-	(7,164)	-	(7,164)
Principal and interest	335,707	-	-	-	(335,707)	-	(335,707)
Total governmental activities	5,819,272	419,547	952,074	2,236,639	(2,211,012)	-	(2,211,012)
<b>Business-type activities</b>							
Water	858,860	944,235	-	-	-	85,375	85,375
Sewer	961,158	792,002	-	-	-	(169,156)	(169,156)
Solid Waste	266,079	272,868	-	-	-	6,789	6,789
Golf Course	472,965	473,375	-	-	-	410	410
License Bureau	157,346	124,579	-	-	-	(32,767)	(32,767)
Arena	215,136	96,528	16,769	-	-	(101,839)	(101,839)
Total business-type activities	2,931,544	2,703,587	16,769	-	-	(211,188)	(211,188)
Total primary government	\$ 8,750,816	\$ 3,123,134	\$ 968,843	\$ 2,236,639	(2,211,012)	(211,188)	(2,422,200)
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					3,398,959	-	3,398,959
Lodging taxes					3,553	-	3,553
Franchise taxes					49,864	-	49,864
Grants and contributions not restricted to specific programs							
Local government aid					662,884	-	662,884
Other					89,834	-	89,834
Special assessments					1,799	-	1,799
Licenses					17,624	-	17,624
Interest and investment earnings					72,144	1,879	74,023
Rental income					4,064	-	4,064
Miscellaneous					53,562	-	53,562
Capital contribution to enterprise funds					(9,073)	9,073	-
Net operating transfers in (out)					22,898	(22,898)	-
Total general revenues					4,368,112	(11,946)	4,356,166
<b>Change in net position</b>					2,157,100	(223,134)	1,933,966
Net position at January 1					13,458,738	7,164,149	20,622,887
Net position at December 31					\$ 15,615,838	\$ 6,941,015	\$ 22,556,853

The accompanying notes are an integral part of this statement.

City of La Crescent, Minnesota

**BALANCE SHEETS**

**GOVERNMENTAL FUNDS**

December 31, 2022

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,594,451	\$ 2,907,087	\$ 1,594,932	\$ 779,995	\$ 6,876,465
Investments	757,659	-	-	-	757,659
Taxes receivable - delinquent	14,154	7,040	-	1,206	22,400
Accounts and grants receivable	21,672	-	-	-	21,672
Special assessments receivable					
Current	-	59,876	-	-	59,876
Deferred	3,546	713,565	-	-	717,111
Interest receivable	2,243	2,802	1,586	727	7,358
Due from other governments	33,639	18,900	-	2,535	55,074
Prepaid expenses and deposits	49,550	-	-	9,275	58,825
Total assets	\$ 2,476,914	\$ 3,709,270	\$ 1,596,518	\$ 793,738	\$ 8,576,440
<b>LIABILITIES</b>					
Bank overdraft	\$ -	\$ -	\$ -	\$ 7,997	\$ 7,997
Accounts payable	267,450	1,006	87,867	22,831	379,154
Accrued liabilities	49,357	-	-	29,739	79,096
Unearned revenue - other	558,239	-	-	-	558,239
Deposits	10,100	-	-	-	10,100
Total liabilities	885,146	1,006	87,867	60,567	1,034,586
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - special assessments	3,546	773,441	-	-	776,987
<b>FUND BALANCES</b>					
Nonspendable	49,550	-	-	-	49,550
Restricted	-	2,934,823	1,508,651	741,176	5,184,650
Unrestricted					
Unassigned	1,538,672	-	-	(8,005)	1,530,667
Total fund balances	1,588,222	2,934,823	1,508,651	733,171	6,764,867
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,476,914	\$ 3,709,270	\$ 1,596,518	\$ 793,738	\$ 8,576,440

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**RECONCILIATION OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
December 31, 2022

Fund balance - governmental funds	\$	6,764,867
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Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in government activities are not financial resources and therefore not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 38,359,139		
Governmental accumulated depreciation	(16,140,297)		22,218,842

Other assets shown in the governmental activities are not current financial resources and, therefore, not reported in the governmental funds:

Special assessments			776,987
Note receivable			23,333

Deferred outflows and inflows of resources represent consumption of net position that apply to future periods and therefore are not reported in the fund statements.

Deferred outflows of resources consist of:

Pension plan			
General employees retirement fund	212,463		
Police and fire fund	1,592,768		1,805,231

Deferred inflows of resources consist of:

Pension plan			
General employees retirement fund	(9,507)		
Police and fire fund	(35,314)		(44,821)

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	(12,268,941)		
Premium on bonded debt refunding	(326,115)		
Accrued interest on debt	(164,853)		
Vested employee benefits	(231,329)		
Pension plan	(2,937,363)		(15,928,601)

<b>Total net position - governmental activities</b>	<b>\$</b>	<b>15,615,838</b>
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The accompanying notes are an integral part of this statement.

City of La Crescent, Minnesota  
**STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended December 31, 2022

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,116,298	\$ 1,037,533	\$ -	\$ 298,545	\$ 3,452,376
Special assessments	37,453	24,342	-	-	61,795
Licenses, fees and permits	98,483	-	-	-	98,483
Intergovernmental revenues	3,339,942	-	-	103,259	3,443,201
Charges for services	228,359	-	-	90,796	319,155
Fines and forfeits	18,754	-	-	779	19,533
Rental income	4,064	-	-	-	4,064
Investment income	10,449	49,565	8,441	3,580	72,035
Interest on delinquent taxes	109	-	-	-	109
Private contributions and grants	80,907	-	375,596	27,839	484,342
Insurance rebates and dividends	13,888	-	-	-	13,888
Miscellaneous	16,176	-	-	12,709	28,885
Total revenues	<u>5,964,882</u>	<u>1,111,440</u>	<u>384,037</u>	<u>537,507</u>	<u>7,997,866</u>
<b>Expenditures</b>					
Current					
General government	724,981	-	-	76,585	801,566
Public safety	1,126,546	-	-	224,206	1,350,752
Public works	3,148,174	-	-	-	3,148,174
Culture and recreation	530,923	-	-	229,308	760,231
Other	-	4,299	-	3,450	7,749
Capital outlay	290,352	-	1,285,880	43,106	1,619,338
Debt Service					
Principal retirement	25,810	1,103,000	-	36,000	1,164,810
Interest and fiscal agent charges	3,843	293,944	-	-	297,787
Total expenditures	<u>5,850,629</u>	<u>1,401,243</u>	<u>1,285,880</u>	<u>612,655</u>	<u>9,150,407</u>
Excess of revenues over (under) expenditures	114,253	(289,803)	(901,843)	(75,148)	(1,152,541)
<b>Other financing sources (use)</b>					
Proceeds from long term debt	-	57,252	2,527,748	-	2,585,000
Bond premium	-	-	11,036	-	11,036
Net operating transfers in (out)	<u>298,736</u>	<u>84,997</u>	<u>(524,327)</u>	<u>163,492</u>	<u>22,898</u>
	<u>298,736</u>	<u>142,249</u>	<u>2,014,457</u>	<u>163,492</u>	<u>2,618,934</u>
Net change in fund balance	412,989	(147,554)	1,112,614	88,344	1,466,393
Fund balances at January 1	<u>1,175,233</u>	<u>3,082,377</u>	<u>396,037</u>	<u>644,827</u>	<u>5,298,474</u>
Fund balances at December 31	<u>\$ 1,588,222</u>	<u>\$ 2,934,823</u>	<u>\$ 1,508,651</u>	<u>\$ 733,171</u>	<u>\$ 6,764,867</u>

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 Year ended December 31, 2022

**Net change in fund balances - total governmental funds** \$ 1,466,393

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 3,635,691	
Depreciation expense reported in the statement of activities	(1,308,197)	
Loss on disposal of capital assets	<u>(15)</u>	
		2,327,479

Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Special termination benefits paid in current year	2,190	
Special termination benefits earned in current year	<u>-</u>	
Amounts paid are less than amounts earned by:		2,190

Some revenues in the governmental funds, such as payments on special assessments receivable have already been recorded as revenues and an asset on the statement of net position.

The amount of special assessments received in the current year is:	(59,996)
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Some revenues do not provide current financial resources and therefore are not reported in the governmental funds statement of revenues and expenditures.

The amount of collections on notes receivable in the current year is:	(11,667)
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In the governmental funds, pension expense is reported when due. In the statement of activities, pension expense is accrued based on the reported amount of net pension liability.

Net change in net pension liability	<u>(134,497)</u>	(134,497)
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Continued on next page.

The accompanying notes are an integral part of this statement.



City of La Crescent, Minnesota  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - CONTINUED**  
 Year ended December 31, 2022

Proceeds from current year debt issues are reported as revenue in the governmental funds, but are reported as long-term debt in the statement of net position and does not affect the statement of activities.

The amount of proceeds from new debt issues in the current year is:	\$ (2,585,000)
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Premiums on current year debt issues are reported as revenue in the governmental fund statements, but are amortized over the life of the bond on statement of activities and the remaining premium is recorded as a liability on the statement of net position.

Bond premium in year of issuance	\$ (11,036)	
Current year amortization of bond premium on debt issuance:	36,344	25,308

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	1,164,810
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In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

The amount of interest paid during the current year	297,787	
The amount of interest accrued during the current year	(335,707)	
Interest paid is more than interest accrued by:		(37,920)

<b>Change in net position - governmental activities</b>	<b>\$ 2,157,100</b>
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The accompanying notes are an integral part of this statement.

City of La Crescent, Minnesota  
**STATEMENTS OF NET POSITION**  
**ALL PROPRIETARY FUNDS**  
December 31, 2022

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments							
Unrestricted	71,166	-	40,890	43,221	244,064	-	399,341
Accounts receivable							
Customer							
Billed	49,681	51,508	17,860	1,245	-	17,180	137,474
Unbilled - estimated	74,339	66,770	19,648	-	-	-	160,757
	<u>124,020</u>	<u>118,278</u>	<u>37,508</u>	<u>1,245</u>	<u>-</u>	<u>17,180</u>	<u>298,231</u>
Special assessments receivable	10,502	33,964	-	-	-	-	44,466
Due from other governments	1,008	27,501	-	-	-	-	28,509
Interest receivable	69	-	39	42	235	-	385
Inventories	-	-	2,057	2,474	-	-	4,531
Prepaid expense	<u>6,025</u>	<u>5,037</u>	<u>387</u>	<u>3,254</u>	<u>513</u>	<u>3,686</u>	<u>18,902</u>
Total current assets	212,790	184,780	80,881	50,236	244,812	20,866	794,365
<b>NONCURRENT ASSETS</b>							
Capital assets							
Land (non-depreciable)	56,033	207,623	-	210,785	-	10,382	484,823
Land improvements	142,733	-	-	1,013,139	-	1,124	1,156,996
Buildings and plant	1,010,431	3,372,655	-	405,219	-	2,129,733	6,918,038
Distribution system	9,734,249	5,259,872	-	-	-	-	14,994,121
Machinery and equipment	<u>45,437</u>	<u>19,402</u>	<u>-</u>	<u>505,150</u>	<u>8,359</u>	<u>195,775</u>	<u>774,123</u>
	10,988,883	8,859,552	-	2,134,293	8,359	2,337,014	24,328,101
Less accumulated depreciation	<u>6,126,085</u>	<u>4,493,500</u>	<u>-</u>	<u>1,188,575</u>	<u>7,142</u>	<u>1,513,491</u>	<u>13,328,793</u>
	4,862,798	4,366,052	-	945,718	1,217	823,523	10,999,308
Special assessments receivable	<u>69,261</u>	<u>146,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,489</u>
Total noncurrent assets	<u>4,932,059</u>	<u>4,512,280</u>	<u>-</u>	<u>945,718</u>	<u>1,217</u>	<u>823,523</u>	<u>11,214,797</u>
Total assets	5,144,849	4,697,060	80,881	995,954	246,029	844,389	12,009,162
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension plan	<u>50,782</u>	<u>44,642</u>	<u>-</u>	<u>67,132</u>	<u>34,373</u>	<u>-</u>	<u>196,929</u>
Total assets and deferred outflows of resources	<u>\$ 5,195,631</u>	<u>\$ 4,741,702</u>	<u>\$ 80,881</u>	<u>\$ 1,063,086</u>	<u>\$ 280,402</u>	<u>\$ 844,389</u>	<u>\$ 12,206,091</u>

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**STATEMENTS OF NET POSITION - CONTINUED**  
**ALL PROPRIETARY FUNDS**  
December 31, 2022

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>							
<b>CURRENT LIABILITIES</b>							
Bank overdraft	\$ -	\$ 336,610	\$ -	\$ -	\$ -	\$ 213,567	\$ 550,177
Current portion of revenue bonds payable	273,750	291,250	-	-	-	-	565,000
Current portion of accrued vested employee benefits	16,055	13,716	-	16,003	7,927	-	53,701
Accounts payable	11,505	39,435	10,491	942	4,764	15,894	83,031
Accrued salaries and wages	6,519	5,985	-	2,205	3,781	-	18,490
Accrued interest	22,930	18,458	-	-	-	206	41,594
Other accrued liabilities	11,114	-	1,276	2,330	5	-	14,725
Unearned revenue - gift certificates	-	-	-	6,320	-	-	6,320
Total current liabilities	341,873	705,454	11,767	27,800	16,477	229,667	1,333,038
<b>LONG-TERM LIABILITIES</b>							
Vested employee benefits	22,172	18,942	-	22,100	10,947	-	74,161
Pension plan	159,220	139,976	-	210,362	107,661	-	617,219
Unamortized bond premium	86,166	55,669	-	-	-	-	141,835
Revenue bonds and notes payable	1,372,750	1,717,250	-	-	-	-	3,090,000
Total long-term liabilities	1,640,308	1,931,837	-	232,462	118,608	-	3,923,215
Total liabilities	1,982,181	2,637,291	11,767	260,262	135,085	229,667	5,256,253
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension plan	2,284	2,009	-	3,001	1,529	-	8,823
<b>NET POSITION</b>							
Net investment in capital assets	3,130,132	2,301,883	-	945,718	1,217	823,523	7,202,473
Unrestricted	81,034	(199,481)	69,114	(145,895)	142,571	(208,801)	(261,458)
	3,211,166	2,102,402	69,114	799,823	143,788	614,722	6,941,015
Total liabilities and net position	\$ 5,195,631	\$ 4,741,702	\$ 80,881	\$ 1,063,086	\$ 280,402	\$ 844,389	\$ 12,206,091

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**ALL PROPRIETARY FUNDS**  
Year ended December 31, 2022

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
<b>Revenues</b>							
Charges for services	\$ 795,232	\$ 677,836	\$ -	\$ -	\$ -	\$ -	\$ 1,473,068
Taxes	70,031	-	-	-	-	-	70,031
Penalties, assessments and fees	50,196	103,444	1,455	-	90	-	155,185
Garbage bags sold	-	-	72,608	-	-	-	72,608
Recycling fees	-	-	85,659	-	-	-	85,659
Landfill fees	-	-	113,146	-	-	-	113,146
Green fees and admissions	-	-	-	253,687	-	-	253,687
Beverage, concession and restaurant sales	-	-	-	78,092	-	137	78,229
Facilities and equipment rentals	-	-	-	140,241	-	65,193	205,434
Vehicle registration and drivers' license fees retained	-	-	-	-	124,099	-	124,099
Donations and grants	-	-	-	-	-	16,769	16,769
Miscellaneous	28,776	10,722	-	1,355	390	31,198	72,441
	<u>944,235</u>	<u>792,002</u>	<u>272,868</u>	<u>473,375</u>	<u>124,579</u>	<u>113,297</u>	<u>2,720,356</u>
<b>Expenses</b>							
Salaries and wages	208,987	194,001	-	221,357	120,617	-	744,962
Employee fringe benefits	62,695	54,922	-	53,508	24,366	-	195,491
Cost of resale items	-	-	10,479	38,381	-	-	48,860
County landfill fees	-	-	112,391	-	-	-	112,391
Insurance	17,323	15,194	1,135	8,725	1,590	9,460	53,427
Utilities	93,936	1,675	-	20,907	-	67,457	183,975
Communications	6,590	5,993	-	7,188	2,524	3,436	25,731
Repairs and maintenance	36,881	61,575	-	24,860	-	48,541	171,857
Equipment rental	-	-	-	250	-	-	250
Office supplies and expense	2,135	1,180	26	11,842	467	49	15,699
Contracted services	26,420	285,524	142,048	7,090	6,269	2,446	469,797
General supplies	28,204	1,788	-	49,850	306	-	80,148
Travel and promotion	96	561	-	191	95	-	943
Depreciation and amortization	319,341	287,150	-	28,816	1,112	82,479	718,898
	<u>802,608</u>	<u>909,563</u>	<u>266,079</u>	<u>472,965</u>	<u>157,346</u>	<u>213,868</u>	<u>2,822,429</u>
<b>Operating income (loss)</b>	141,627	(117,561)	6,789	410	(32,767)	(100,571)	(102,073)

Continued on next page.

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - CONTINUED**  
**ALL PROPRIETARY FUNDS**  
 Year ended December 31, 2022

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
<b>Nonoperating revenues (expenses)</b>							
Investment income	\$ -	\$ -	\$ 163	\$ 273	\$ 1,443	\$ -	\$ 1,879
Bond interest and fiscal agent fees	(56,252)	(51,595)	-	-	-	-	(107,847)
Gain (loss) on sale of capital asset	-	-	-	-	-	(1,268)	(1,268)
Other interest expense	(56,252)	(51,595)	163	273	1,443	(1,268)	(107,236)
<b>Income (loss) before contributions and transfers</b>	85,375	(169,156)	6,952	683	(31,324)	(101,839)	(209,309)
Capital contributions	-	-	-	9,073	-	-	9,073
Operating transfers in (out)	(38,368)	(24,530)	-	-	-	40,000	(22,898)
<b>Change in net position</b>	47,007	(193,686)	6,952	9,756	(31,324)	(61,839)	(223,134)
Net position at January 1	3,164,159	2,296,088	62,162	790,067	175,112	676,561	7,164,149
Net position at December 31	\$ 3,211,166	\$ 2,102,402	\$ 69,114	\$ 799,823	\$ 143,788	\$ 614,722	\$ 6,941,015

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUNDS**  
Year ended December 31, 2022

**Change in Cash and Cash Equivalents**

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
<b>Cash flows from operating activities</b>							
Cash received from customers and grantors	\$ 899,163	\$ 760,590	\$ 274,370	\$ 471,532	\$ 124,189	\$ 70,095	\$ 2,599,939
Cash paid to suppliers	(259,851)	(429,620)	(269,071)	(207,297)	(23,225)	(123,586)	(1,312,650)
Cash paid to employees	(214,503)	(191,332)	-	(206,888)	(119,309)	-	(732,032)
Miscellaneous income	11,326	(2)	-	1,355	390	31,198	44,267
Net cash provided by (used in) operating activities	436,135	139,636	5,299	58,702	(17,955)	(22,293)	599,524
<b>Cash flows from investing activities</b>							
Increase (decrease) in investments	(58,506)	-	(5,452)	(43,221)	16,532	-	(90,647)
Interest income received	(59)	-	153	231	1,423	-	1,748
Net cash provided by (used in) investing activities	(58,565)	-	(5,299)	(42,990)	17,955	-	(88,899)
<b>Cash flows from noncapital financing activities</b>							
Operating transfers from (to) other funds	(38,368)	(24,530)	-	-	-	40,000	(22,898)
Cash overdraft borrowed from (repaid to) other funds	-	241,237	-	(15,699)	-	3,498	229,036
Interest paid	-	-	-	(13)	-	(1,235)	(1,248)
Net cash provided by (used in) noncapital financing activities	(38,368)	216,707	-	(15,712)	-	42,263	204,890
<b>Cash flows from capital and related financing activities</b>							
Principal paid on long-term debt	(268,250)	(286,750)	-	-	-	-	(555,000)
Proceeds from revenue bonds	-	-	-	-	-	-	-
Interest and fiscal agent fees paid	(60,085)	(54,203)	-	-	-	-	(114,288)
Capital expenditures	(10,867)	(15,390)	-	-	-	(19,970)	(46,227)
Net cash provided by (used in) capital and related financing activities	(339,202)	(356,343)	-	-	-	(19,970)	(715,515)
Net change in cash and cash equivalents	-	-	-	-	-	-	-
Cash and cash equivalents at January 1	-	-	-	-	-	-	-
Cash and cash equivalents at December 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**ALL PROPRIETARY FUNDS**  
Year ended December 31, 2022

**Reconciliation of Operating Income (Loss) to Net Cash  
from Operating Activities**

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course	License Bureau	Arena Fund	Totals
Operating income (loss)	\$ 141,627	\$ (117,561)	\$ 6,789	\$ 410	\$ (32,767)	\$ (100,571)	\$ (102,073)
Adjustment to reconcile operating income (loss) to net cash from operating activities							
Depreciation and amortization	319,341	287,150	-	28,816	1,112	82,479	718,898
Amortization of bond premium	(17,450)	(10,724)	-	-	-	-	(28,174)
(Increase) decrease in accounts receivable	(15,288)	5,972	1,502	(154)	-	(12,004)	(19,972)
(Increase) decrease in due from other governments	(1,008)	(26,662)	-	-	-	-	(27,670)
(Increase) decrease in inventories	-	-	(803)	212	-	-	(591)
(Increase) decrease in prepaid expense	(1,018)	(10)	(26)	(153)	51	(1,598)	(2,754)
Increase (decrease) in accounts payable	(3,256)	(11,435)	(2,673)	(101)	4,448	9,401	(3,616)
Increase (decrease) in accrued liabilities	1,539	2,669	510	14,602	1,312	-	20,632
Increase (decrease) in pension liabilities	11,648	10,237	-	15,404	7,889	-	45,178
Increase (decrease) in unearned revenue	-	-	-	(334)	-	-	(334)
Total adjustments	<u>294,508</u>	<u>257,197</u>	<u>(1,490)</u>	<u>58,292</u>	<u>14,812</u>	<u>78,278</u>	<u>701,597</u>
Net cash provided by (used in) operating activities	<u>\$ 436,135</u>	<u>\$ 139,636</u>	<u>\$ 5,299</u>	<u>\$ 58,702</u>	<u>\$ (17,955)</u>	<u>\$ (22,293)</u>	<u>\$ 599,524</u>

The accompanying notes are an integral part of these statements.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended December 31, 2022

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Introduction**

The City of La Crescent (City) is organized as a city under the laws of the State of Minnesota. The City is governed by a five-member elected city council that includes the mayor. The mayor's only duty above and beyond those of the other council members is to run the council meetings. This is referred to as the "weak mayor" form of city government.

The financial statements of the City of La Crescent, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below.

**2. Component Units**

Accounting principles generally accepted in the United States of America (GAAP) require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the City's reporting entity because of the significance of its operational or financial relationships with the City. All significant activities and organizations with which the City exercises oversight responsibility have been considered for inclusion in the financial statements. The City has no component units, and it is not included in any other governmental reporting entity.

**3. Basis of Presentation**

**Government-wide Statements** - The statement of net position and the statement of activities present financial information about the City's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - Continued

**Fund Financial Statements** - The fund statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary -- are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

**General Fund** - This is the City's primary operating fund. All financial activity not required to be accounted for in another fund is accounted for in the general fund.

**Debt Service Funds** - These funds account for the resources accumulated and payments made for principal, interest and fiscal agent fees on long-term general obligation debt of governmental activities. The City has no approved budget for the debt service funds.

**Capital Projects Funds** - These funds account for resources from long-term borrowing, segregated tax levy and other designated revenues used for the acquisition, construction and maintenance of capital facilities and other capital assets. The City has no approved budget for the capital projects funds.

The City operates the following six major enterprise funds for the benefit of the citizens of the City, and in some cases, the surrounding area:

- **Water fund** - This fund accounts for the activities associated with providing water service to residents.
- **Sewer fund** - This fund accounts for the activities associated with providing sewer service to residents.
- **Refuse fund** - This fund accounts for the activities associated with providing refuse service for residents.
- **Golf course fund** - This fund accounts for the activities associated with operating a municipal golf course.
- **License bureau fund** - This fund accounts for activities associated with providing vehicle and operating licenses throughout the area.
- **Arena fund** - This fund accounts for the activities associated with operating a municipal ice arena.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**4. Measurement Focus and Basis of Accounting**

The Government-wide governmental and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**5. Investments**

Cash balances from all funds are pooled and invested in savings accounts, certificates of deposit, commercial paper, municipal bonds, United States treasury bills and United States government-backed securities and are stated at market.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**6. Property Tax Recognition**

The County Auditor is responsible for assessing and collecting the City's property taxes. Any taxes that have not been collected by the County Auditor as of January 1 of the year following the year levied are recorded as delinquent property taxes receivable in these financial statements. No provision for estimated uncollectible taxes has been made as it is felt that those taxes that will be uncollected will be insignificant.

**7. Due From Other Governments**

The amounts due from other governments are due from the county, state or federal government, but consist primarily of taxes collected but not remitted to the City by year-end from the County.

**8. Accounts and Notes Receivable**

Accounts receivable in the governmental funds are recorded at gross amounts due. Notes receivable are recorded on the Statement of Net Position at the gross amount due. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

**9. Prepaid Expenses and Inventories**

Prepaid expenses consist of premiums paid for insurance policies that have not expired at year-end. Inventories consist of unsold garbage bags in the solid waste fund, and resale items and supplies for the golf course and are stated at the lower of cost or market on the FIFO basis.

**10. Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the City considers all certificates of deposits, commercial paper, United States treasury bills and United States government-backed securities due within three months of the statement of net position or balance sheet date to be cash equivalents.

**11. Unamortized Bond Premium**

Unearned bond premiums consist of premiums related to the issuance of bonds. The bond premiums are amortized over the life of the bond and are shown net of amortization on the Statement of Net Position.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**12. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The City has one item related to its pension plan that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents a consumption of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has one item that qualifies for reporting in this category related to its pension liability.

**13. Net Position**

The City classifies its net position as follows:

- a. Net investment in capital assets represents the net depreciated value of capital assets less any remaining debt owed that was incurred to finance the acquisition of such assets.
- b. Restricted net position indicates that portion of net position that has been legally segregated for specific purposes.
- c. Unrestricted net position indicates that portion of net position for which the City has no legal financial obligation.

**14. Fund Balance Classifications**

The City classifies its fund balance as follows:

- a. Unrestricted, unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.
- b. Unrestricted, assigned fund balances include amounts that can be spent only for specific purposes stipulated by representatives designated by the board.
- c. Unrestricted, committed fund balances include amounts that can be spent only for specific purposes approved by the board.
- d. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use).

Fund balance classifications for restricted and all categories of unrestricted amounts are considered to have been spent when an expenditure is incurred.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**15. Vested Employee Benefits**

The City's policy allows employees to accumulate a maximum of 120 days of unused sick leave. Upon retirement or termination, the employee is entitled to be paid for 50% of the accumulated sick leave. The policy also allows accumulation of vacation pay that is 100% vested.

Accounting treatment for these vested benefits depends on the fund to which they accrue. Governmental fund benefits are charged to expense when incurred in the statement of activities and are reported as liabilities in the statement of net position. On the fund statements, governmental fund benefits are charged to expense when paid, but are not reported as liabilities in the governmental fund balance sheets. Enterprise fund liabilities are charged to expense as the benefits are earned for both the statement of activities and the statement of revenues and expenses and are always recorded as liabilities on the statements of net position.

At December 31, 2022, the amount of vested employee benefits is as follows:

	Vacation	Sick leave	Total
General Fund	\$ 99,522	\$ 127,209	\$ 226,731
Library Fund	1,250	2,825	4,075
Fire Department Fund	349	174	523
Water Fund	16,224	22,003	38,227
Sewer	13,198	19,460	32,658
Golf Course Fund	11,207	26,896	38,103
License Bureau Fund	9,987	8,887	18,874
	<u>\$ 151,737</u>	<u>\$ 207,454</u>	<u>\$ 359,191</u>

**16. Federal and State Aids**

Federal and state aids are recognized as revenue in the entitlement year. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

**17. Capital Assets**

Capital assets are reported at actual cost where possible; otherwise estimated cost was used based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated acquisition value at the date received. Infrastructure assets were capitalized beginning with 1995 construction projects.

Depreciable assets are depreciated over their useful lives by the straight-line method. Estimated useful lives are as follows:

Land improvements	5-30 years
Buildings and improvements	7-40 years
Infrastructure	15-50 years
Vehicles	4-20 years
Machinery and equipment	5-35 years
Office equipment and furniture	5-15 years
Computer equipment	5-7 years

City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**18. Retirement Plan**

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

**19. Advances To/From Other Funds**

Temporary transfers between funds, for which repayment is not expected within one year, are classified as advances. A portion of the net position of the advancing fund is reserved equal to the advanced amount.

**20. Inter-fund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly allocable to another fund are recorded as expenditures/expenses of the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund.

All other inter-fund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. Recurring or routine transfers are reported as operating transfers.

**21. Estimates**

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

City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

**NOTE B - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND  
STATEMENTS AND GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and Government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Revenue differences that arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses differences reported recognize the difference in accounting for vested employee benefits.
- b. Capital related differences due to the recording of expenditures for the purchase of capital items in the governmental fund statements and the capitalization of such items in the statement of net position and depreciation expense of same recorded in the statement of activities.
- c. Long-term debt transaction differences that occur because proceeds from debt issues and both interest and principal payments are recorded as revenues or expenditures, as applicable, in the governmental fund statements, whereas debt proceeds or principal payments are recorded as increases or decreases, as applicable, of liabilities in the statement of net position, and interest expense is recorded in the statement of activities as incurred.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE C - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and investments	\$ 8,033,465
Bank overdraft	(558,174)
	<u>\$ 7,475,291</u>

Cash and investments as of December 31, 2022 consist of the following:

	Carrying Amount	Bank Balance
Cash on hand	\$ 1,500	\$ -
Demand deposits	6,057,199	6,073,998
Money market and savings accounts	259,592	259,225
Certificates of deposit	1,157,000	1,157,000
	<u>\$ 7,475,291</u>	<u>\$ 7,490,223</u>

**Investments Authorized by the City's Investment Policy**

The City is required to invest its funds in accordance with Minnesota Statute 118(A). It is the policy of the City to invest public funds in a manner which will provide the highest investment return with minimum risk while meeting the daily cash flow demands of the City and conforming to all federal, state and local regulations.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in certificates of deposits and government securities is 38.1 months.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Government securities are the only investments held by the City that a rating is provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

Concentration of credit risk is defined as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.



City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

**NOTE C - CASH AND INVESTMENTS - CONTINUED**

**Concentration of Credit Risk - Continued**

It is the City's policy that no more than 75% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. It is the City's policy that collateral is to be in a restricted account at a Federal Reserve Bank or in 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 City does have securities pledged in their name at one bank to cover deposits exceeding federal depository insurance limits. The City had no deposits that exceeded FDIC coverage at other financial institutions December 31, 2022. There could have been uncollateralized amounts during the year.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's investment in securities through the use of mutual funds or government investment pools.

**NOTE D - NOTE RECEIVABLE**

The City has a \$23,333 note receivable balance at December 31, 2022. The City sold a lot to the Lancer Youth Hockey Association for \$75,000 in 2021. The Association paid \$11,667 in 2022 and will pay \$11,666.66 per year with 0% interest in 2023 and 2024.

City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

NOTE E - CAPITAL ASSETS

Governmental Activities

A summary of general capital assets follows:

	Balance January 1, 2022	Additions and Adjustments	Removals and Adjustments	Balance December 31, 2022
Capital assets not being depreciated				
Land	\$ 2,145,017	\$ -	\$ -	\$ 2,145,017
Construction in process	1,602,175	2,342,772	-	3,944,947
Total capital assets not being depreciated	3,747,192	2,342,772	-	6,089,964
Capital assets being depreciated				
Land improvements	5,551,540	-	-	5,551,540
Infrastructure	18,193,804	1,050,050	-	19,243,854
Buildings	2,218,851	29,550	-	2,248,401
Machinery, equipment and furnishings	5,042,646	213,319	30,585	5,225,380
	31,006,841	1,292,919	30,585	32,269,175
Less accumulated depreciation				
Land improvements	1,811,764	222,456	-	2,034,220
Infrastructure	8,644,956	706,865	-	9,351,821
Buildings	1,219,149	78,844	-	1,297,993
Machinery, equipment and furnishings	3,186,801	300,032	30,570	3,456,263
	14,862,670	1,308,197	30,570	16,140,297
Totals	\$ 19,891,363	\$ 2,327,494	\$ 15	\$ 22,218,842

A summary of depreciation expense by function is as follows:

General government	\$ 30,350
Public safety	181,185
Public works	874,792
Culture and recreation	221,870
	\$ 1,308,197

City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

NOTE E - CAPITAL ASSETS - CONTINUED

A summary of Business-Type Activities capital assets follows:

	Balance January 1, 2022	Additions	Removals	Balance December 31, 2022
Capital assets not being depreciated				
Land	\$ 484,823	\$ -	\$ -	\$ 484,823
Total capital assets not being depreciated	484,823	-	-	484,823
Capital assets being depreciated				
Land improvements	1,156,996	-	-	1,156,996
Buildings and plant	6,898,068	19,970	-	6,918,038
Distribution system	14,970,128	23,993	-	14,994,121
Equipment	762,786	11,337	-	774,123
	<u>23,787,978</u>	<u>55,300</u>	<u>-</u>	<u>23,843,278</u>
Less accumulated depreciation	<u>12,609,895</u>	<u>718,898</u>	<u>-</u>	<u>13,328,793</u>
Totals	<u>\$ 11,662,906</u>	<u>\$ (663,598)</u>	<u>\$ -</u>	<u>\$ 10,999,308</u>

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE F - LONG-TERM OBLIGATIONS**

Details of the City's long-term obligations are set forth below.

	Balances January 1, 2022	Additions	Payments	Balances December 31, 2022
<b>Governmental Activities</b>				
Bonds and notes payable				
General obligation debt				
Bonds payable	\$ 10,649,000	\$ 2,585,000	\$ 1,103,000	\$ 12,131,000
Notes payable	85,533	-	36,000	49,533
Land contract payable	114,218	-	25,810	88,408
Subtotal	10,848,751	2,585,000	1,164,810	12,268,941
Other liabilities:				
Vested employee benefits	233,519	-	2,190	231,329
Net pension liability	767,406	2,309,824	139,867	2,937,363
	11,849,676	4,894,824	1,306,867	15,437,633
<b>Business-Type Activities</b>				
Bonds and notes payable				
General obligation bonds	4,210,000	-	555,000	3,655,000
Other liabilities:				
Vested employee benefits	106,166	21,696	-	127,862
Net pension liability	330,782	327,325	40,888	617,219
	4,646,948	349,021	595,888	4,400,081
	<u>\$ 16,496,624</u>	<u>\$ 5,243,845</u>	<u>\$ 1,902,755</u>	<u>\$ 19,837,714</u>

**General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

General obligation debt at December 31, 2022 is comprised of the following individual issues:

Description	Issue Dates	Interest Rates (%)	Date of Maturity	Balance at December 31, 2022	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable					
2013A Equipment Certificates	2013	3.00%	2023	\$ 83,000	\$ 83,000
2015A Crossover Refunding	2015	2.00%-2.35%	2026	110,000	110,000
2016A G.O. Refunding	2016	2.00%-2.75%	2032	2,605,000	235,000
2017A Equipment Certificates	2017	2.75%	2027	528,000	100,000
2018A G.O. Improvement	2018	3.00%-4.00%	2044	2,205,000	110,000
2019A General Obligation	2019	2.05%-3.55%	2045	650,000	50,000
2019B General Obligation	2019	2.10%-4.00%	2035	340,000	20,000
2020A General Obligation	2020	2.00%-4.00%	2031	3,025,000	290,000
2022A General Obligation	2022	3.00%-3.45%	2043	2,585,000	-
				12,131,000	998,000
Notes payable					
Tri-County Electric	2014	0.00%	2024	49,533	36,000
Land contract payable	2021	3.75%	2026	88,408	26,794
Total Governmental-Activities general obligation debt				<u>\$ 12,268,941</u>	<u>\$ 1,060,794</u>

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE F - LONG-TERM OBLIGATIONS - CONTINUED**

Description	Issue Dates	Interest Rates (%)	Date of Maturity	Balance at December 31, 2022	Due Within One Year
<b>Business-Type Activities</b>					
Bonds payable					
2015A G.O. Utility and Crossover Refunding	2015	2.00%-2.35%	2026	\$ 510,000	\$ 145,000
2016A G.O. Bonds	2016	2.00%	2027	225,000	45,000
2019B G.O. Bonds	2019	2.10%-4.00%	2035	2,285,000	310,000
2021A G.O. Sewer Revenue Refunding	2021	0.25%-1.45%	2031	635,000	65,000
				<u>\$ 3,655,000</u>	<u>\$ 565,000</u>

**Maturities of General Obligation Debt**

Maturities of the long-term general obligation debt as of December 31, 2022 are as follows:

Governmental Activities				
Years	Principal	Interest	Total	
2023	\$ 1,060,794	\$ 364,533	\$ 1,425,327	
2024	1,009,350	316,787	1,326,137	
2025	1,024,878	286,112	1,310,990	
2026	1,032,919	254,694	1,287,613	
2027	1,056,000	222,960	1,278,960	
2028-2032	4,625,000	725,620	5,350,620	
2033-2037	1,130,000	324,559	1,454,559	
2038-2042	995,000	153,452	1,148,452	
2043-2045	335,000	11,281	346,281	
Totals	<u>\$ 12,268,941</u>	<u>\$ 2,659,998</u>	<u>\$ 14,928,939</u>	

Business-Type Activities				
Years	Principal	Interest	Total	
2023	\$ 565,000	\$ 96,029	\$ 661,029	
2024	590,000	78,623	668,623	
2025	570,000	60,669	630,669	
2026	585,000	42,597	627,597	
2027	490,000	24,932	514,932	
2028-2032	795,000	26,249	821,249	
2033-2035	60,000	2,160	62,160	
Totals	<u>\$ 3,655,000</u>	<u>\$ 331,259</u>	<u>\$ 3,986,259</u>	

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE F - LONG-TERM OBLIGATIONS - CONTINUED**

Current maturities of governmental activities long-term debt at December 31, 2022 are as follows:

General Obligation Debt	\$ 1,060,794
Vested Employee Benefits	<u>97,158</u>
Totals	\$ <u>1,157,952</u>

The 2022 fair market valuation of the City as certified by the State of Minnesota is \$632,643,200. The legal debt limit and margin of indebtedness as of December 31, 2022 in accordance with Section 475.53(1) of the Minnesota Statutes follows:

Debt limit (3% of \$632,643,200)	\$ 18,979,296
Deduct long-term debt applicable to debt margin	<u>3,448,942</u>
Margin of indebtedness	\$ <u>15,530,354</u>

Total interest paid and accrued for the year ended December 31, 2022 follows:

	Expense	Paid
Long-term obligations	\$ <u>335,707</u>	\$ <u>297,787</u>

At December 31, 2022, \$2,934,823 is available in the Debt Service Funds to service the general long-term debt.

The general obligation bonds are backed by the full faith and credit of the City.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE G - BOND PREMIUMS**

The City received premiums of \$12,716 on its 2015A General Obligation Utility Revenue and Crossover Refunding Bond, \$78,749 on its 2016A General Obligation Bonds, \$41,985 on its 2018A General Obligation Bonds, \$5,046 on its 2019A General Obligation Bonds, \$13,573 on its 2019B General Obligation Bonds, \$269,956 on its 2020A General Obligation Bonds and \$11,036 on its 2022A General Obligation Bonds. These premiums are amortized ratably over the lives of the bonds on the Statement of Activities. The net unamortized premium at year-end of \$326,115 is reported as a liability in the governmental activities column of the Statement of Net Position.

The City also received premiums of \$17,555 for its utility fund portion of the 2015A General Obligation Utility Revenue and Crossover Refunding Bond, \$10,017 on its 2016A General Obligation Bonds, and \$210,858 on its 2019B General Obligation Bonds. These premiums are amortized ratably over the lives of the bonds on the Statements of Revenues, Expenses and Changes in Net Position - Proprietary Funds. The net unamortized premiums at year-end are reported as a liability on the water fund of \$86,166 and on the sewer fund of \$55,669.

**NOTE H - EMPLOYEE RETIREMENT PLAN**

**1. 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.

**A. 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.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

B. Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**2. 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.

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

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



City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

**B. 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 will be 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.

**3. Contributions**

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

**A. GERP Contributions**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$95,748. The City's contributions were equal to the required contributions as set by state statute.

**B. 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 \$106,064. The City's contributions were equal to the required contributions as set by state statute.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

**4. Pension Costs**

**A. GERP Pension Costs**

At December 31, 2022, the City reported a liability of \$1,283,044 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$37,672.

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. The City's proportionate share was 0.0162% at the end of the measurement period and 1.0161% for the beginning of the period.

City's proportionate share of the net pension liability	\$1,283,044
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>37,672</u>
Total	<u>\$1,320,716</u>

For the year ended December 31, 2022 the City recognized pension expense of \$198,706 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$5,529 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,717	\$ 13,532
Changes in assumptions	288,638	4,798
Net differences between projected and actual earnings on pension plan investments	21,396	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,176	-
Employer contributions subsequent to the measurement date	49,465	-
<b>Total</b>	<b>\$ 409,392</b>	<b>\$ 18,330</b>

\$49,465 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2023	\$ 129,885
2024	\$ 134,489
2025	\$ (38,811)
2026	\$ 116,034

**B. PEPFP Pension Costs**

At December 31, 2022, the City reported a liability of \$2,271,538 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. The City's proportionate share was 0.0522 percent at the end of the measurement period and 0.0532 percent for the beginning of the period.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

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 aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$442,490 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$19,256 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 \$19,256 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.

City's proportionate share of the net pension liability	\$2,271,538
State of Minnesota's proportionate share of the net	
pension liability associated with the City	<u>99,269</u>
Total	<u>\$2,370,807</u>

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 139,400	\$ -
Changes in actuarial assumptions	1,346,225	13,427
Difference between projected and actual investment earnings	17,083	-
Changes in proportion	36,091	21,887
Contributions paid to PERA subsequent to the measurement date	53,969	-
Total	\$ 1,592,768	\$ 35,314

\$53,969 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2023	\$ 293,510
2024	\$ 292,232
2025	\$ 255,792
2026	\$ 474,239
2027	\$ 187,712

**Total Pension Expense**

The total pension expense for both plans recognized by the City for the year ended December 31, 2022, was \$641,196.

**5. Long-Term Expected Return on Investment**

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

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

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

**6. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054 and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

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.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

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, 2021 actuarial valuation.

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**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.

**7. Discount Rate**

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE H - EMPLOYEE RETIREMENT PLAN - CONTINUED**

In the Police and Fire Fund and Correctional 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 and June 30, 2062 for the Correctional 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 and 5.42 percent for the Correctional 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.

**8. Pension Liability Sensitivity**

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

<b>Sensitivity Analysis</b>				
<i>Net Pension Liability (Asset) at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$2,026,637	4.40%	\$3,437,681
Current Discount Rate	6.50%	\$1,283,044	5.40%	\$2,271,538
1% Higher	7.50%	\$ 673,185	6.40%	\$1,328,781

**9. Pension Plan Fiduciary Net Position**

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



City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE I - DEFINED CONTRIBUTION PLAN**

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (0.25) of the assets in each member's account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 1,020	\$ 1,020	5%	5%	5%

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE J - TAX ABATEMENTS**

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to an economic development or otherwise benefits the government or citizens of those governments.

The City is disclosing all tax abatement agreements individually.

The City of La Crescent is the administering authority of the City of La Crescent Tax Increment Financing (TIF) Districts. The City's authority to designate a redevelopment district is pursuant to Minnesota State Statutes, Section 469.174 and Chapter 475. The City, through its TIFs, has entered into tax abatement agreements with developers in the form of tax incremental financing incentive payments to stimulate economic development. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>2022 Payment</u>
TIF 2-1 - Amish Store	90% of incremental tax revenue, maximum reimbursement of \$122,532	\$7,632
TIF 4-2 - Gundersen	45% of incremental tax revenue, maximum reimbursement of \$168,755	\$15,359
TIF 5-1 - Heth Hardware	90% of incremental tax revenue, maximum reimbursement of \$74,320	\$6,962

**NOTE K - TAX INCREMENT FINANCING DISTRICTS**

The City has five active Tax Increment Financing (TIF) District agreements. Three are tax abatements as described above. The City has financed two TIFs by taking out debt which will be repaid through retaining future tax increments.

City of La Crescent, Minnesota  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended December 31, 2022

**NOTE L - DEFICIT FUND BALANCES**

The following funds have a deficit fund balance:

Governmental Activities	
TIF District 1-9	\$ 8,005

**NOTE M - OPERATING TRANSFERS INTERFUND RECEIVABLES AND PAYABLES**

Operating transfers are from regular business transactions and are summarized below:

From	To	
General fund	Fire department	\$ 185,591
General fund	Arena	40,000
Capital projects	General fund	524,327
Water fund	Debt service	38,368
Sewer fund	Debt service	24,530
TIF district	Debt service	22,099

**NOTE N - FIRE DEPARTMENT OPERATIONS**

Upon formation of the La Crescent Community Fire Cooperative and dissolution of the Joint Powers Board, the City and the Town of La Crescent have agreed to make all members of the Fire Department employees of the City, to fund the Department's operations in proportion to the total property valuation of the two municipalities, and to have the City perform all accounting functions. As a result of this agreement, the City's books reflect a Special Revenue Fund entitled "Fire Department". Also included in these financial statements, in the General Capital Assets (see note E), are capital assets which were previously owned by the Joint Powers Board. The Town of La Crescent will be entitled to a proportionate share of all fire department net position upon dissolution of the La Crescent Community Fire Cooperative.

City of La Crescent, Minnesota  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended December 31, 2022

**NOTE O - COMMITMENTS**

The City has a commitment to pay monthly payments for power generated from solar arrays purchased from Ideal Energies and subsequently leased to Green Solar Leasing LLC. A summary of payments due by year are as follows:

2023	\$ 11,262
2024	11,710
2025	12,176
2026	12,660
2027	13,164
2028-2032	73,116
2033-2037	23,800
2038-2039	<u>9,519</u>
	<u>\$167,407</u>

**NOTE P - 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. The City insures through commercial insurance companies for all risks of loss, except for health and dental care. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE Q - OTHER POST-EMPLOYMENT BENEFITS**

The City offers no material post-employment benefits to employees upon separation from service. Employees receive no payments at or after separation from service other than accrued vacation pay which is already accrued in this report. The only post-employment benefit an employee may receive is continued dental and health insurance coverage that is entirely paid by the employee. The City believes any potential benefit and liability is not material to these financial statements. The City has no retirees on its health insurance plan.

**REQUIRED SUPPLEMENTAL INFORMATION**

City of La Crescent, Minnesota  
SCHEDULE OF CONTRIBUTIONS - PUBLIC EMPLOYEES  
GENERAL EMPLOYEES RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2022

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll** (d)	Contributions as a Percentage of Covered Employee Payroll (b/d)
December 31, 2015	\$58,821	\$58,821	\$0	\$798,064	7.37%
December 31, 2016	\$60,681	\$60,681	\$0	\$809,074	7.50%
December 31, 2017	\$69,289	\$69,289	\$0	\$923,851	7.50%
December 31, 2018	\$74,762	\$74,762	\$0	\$997,032	7.50%
December 31, 2019	\$78,926	\$78,926	\$0	\$1,052,347	7.50%
December 31, 2020	\$79,932	\$79,932	\$0	\$1,065,760	7.50%
December 31, 2021	\$87,059	\$87,059	\$0	\$1,160,787	7.50%
December 31, 2022	\$95,748	\$95,748	\$0	\$1,276,640	7.50%

\* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.  
Amounts are for the measurement date occurring within each fiscal year.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

City of La Crescent, Minnesota  
SCHEDULE OF PROPORTIONATE SHARE OF  
NET PENSION LIABILITY - PUBLIC EMPLOYEES  
GENERAL EMPLOYEES RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2022

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0136%	\$704,823	N/A	\$704,823	\$798,064	88.32%	78.2%
June 30, 2016	0.0130%	\$1,055,536	\$13,817	\$1,069,353	\$809,074	132.17%	68.9%
June 30, 2017	0.0143%	\$912,902	\$11,512	\$924,414	\$923,851	100.06%	75.9%
June 30, 2018	0.0148%	\$821,042	\$26,957	\$847,999	\$997,032	85.05%	79.5%
June 30, 2019	0.0149%	\$823,788	\$25,499	\$849,287	\$1,052,347	80.70%	80.2%
June 30, 2020	0.0149%	\$893,323	\$27,620	\$920,943	\$1,065,760	86.41%	79.1%
June 30, 2021	0.0161%	\$687,542	\$21,007	\$708,549	\$1,160,787	61.04%	87.0%
June 30, 2022	0.0173%	\$1,283,045	\$37,672	\$1,320,717	\$1,276,640	103.45%	76.7%

\* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.  
Amounts are for the measurement date occurring within each fiscal year.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

\*\*\* The year reported for this schedule coincides with the measurement date used for the NPL.

City of La Crescent, Minnesota  
**SCHEDULE OF CONTRIBUTIONS - PUBLIC EMPLOYEES**  
**POLICE AND FIRE RETIREMENT FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year ended December 31, 2022

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$62,289	\$62,289	\$0	\$394,872	15.77%
December 31, 2016	\$75,683	\$75,683	\$0	\$467,177	16.20%
December 31, 2017	\$82,220	\$82,220	\$0	\$507,528	16.20%
December 31, 2018	\$84,482	\$84,482	\$0	\$521,496	16.20%
December 31, 2019	\$94,206	\$94,206	\$0	\$555,788	16.95%
December 31, 2020	\$99,766	\$99,766	\$0	\$563,650	17.70%
December 31, 2021	\$111,203	\$111,203	\$0	\$628,266	17.70%
December 31, 2022	\$106,064	\$106,064	\$0	\$599,232	17.70%

\* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.  
Amounts are for the measurement date occurring within each fiscal year.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

City of La Crescent, Minnesota  
**SCHEDULE OF PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY - PUBLIC EMPLOYEES**  
**POLICE AND FIRE RETIREMENT FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year ended December 31, 2022

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0430%	\$488,581	\$394,872	123.73%	86.6%
June 30, 2016	0.0480%	\$1,926,324	\$467,177	412.33%	63.9%
June 30, 2017	0.0490%	\$661,559	\$507,528	130.35%	85.4%
June 30, 2018	0.0495%	\$527,619	\$521,496	101.17%	88.8%
June 30, 2019	0.0539%	\$573,820	\$555,788	103.24%	89.3%
June 30, 2020	0.0510%	\$672,235	\$563,650	119.26%	87.2%
June 30, 2021	0.0532%	\$410,648	\$628,266	65.36%	93.7%
June 30, 2022	0.0522%	\$2,271,538	\$599,232	379.07%	70.5%

\* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.  
Amounts are for the measurement date occurring within each fiscal year.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

\*\*\* The year reported for this schedule coincides with the measurement date used for the NPL.

City of La Crescent, Minnesota  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
Year ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
<b>Taxes</b>				
General property taxes	\$	\$	\$ 2,062,881	\$
Lodging tax			3,553	
Franchise taxes			49,864	
	<u>2,099,038</u>	<u>2,099,038</u>	<u>2,116,298</u>	<u>17,260</u>
<b>Special assessments</b>	1,865	1,865	37,453	35,588
<b>Licenses, fees and permits</b>				
Business			8,630	
Non-business			8,994	
Building and related			80,859	
	<u>56,190</u>	<u>56,190</u>	<u>98,483</u>	<u>42,293</u>
<b>Intergovernmental</b>				
Federal				
DOT grant			452,241	
Other			981	
State grants and aids				
Local government aid			662,884	
Firefighter's relief			43,006	
Police aid and training			87,500	
Transit aid			229,969	
Street maintenance aid			71,017	
Street construction			230,143	
DNR			1,553,274	
Other			8,927	
	<u>4,483,100</u>	<u>4,483,100</u>	<u>3,339,942</u>	<u>(1,143,158)</u>
<b>Charges for services</b>				
General government			23,849	
Public works			7,745	
Public safety			4,216	
Culture and recreation			192,549	
	<u>188,180</u>	<u>188,180</u>	<u>228,359</u>	<u>40,179</u>
<b>Fines and forfeits</b>				
Court and parking			18,584	
Restitution and forfeitures			170	
	<u>10,000</u>	<u>10,000</u>	<u>18,754</u>	<u>8,754</u>



City of La Crescent, Minnesota  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
Year ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Other</b>				
Rental income	\$	\$	\$ 4,064	\$
Investment income			10,449	
Interest on delinquent taxes			109	
Private contributions and grants			80,907	
Insurance rebates and dividends			13,888	
Miscellaneous			16,176	
	<u>19,514</u>	<u>19,514</u>	<u>125,593</u>	<u>106,079</u>
Total revenues	6,857,887	6,857,887	5,964,882	(893,005)
<b>Expenses</b>				
<b>General government</b>				
Mayor and council				
Salaries	25,200	25,200	25,200	-
Employee benefits	3,010	3,010	3,005	5
Professional fees	64,500	64,500	85,422	(20,922)
Other current expenditures	<u>25,208</u>	<u>25,208</u>	<u>22,513</u>	<u>2,695</u>
	117,918	117,918	136,140	(18,222)
Municipal clerk				
Salaries	147,600	147,600	181,659	(34,059)
Employee benefits	47,360	47,360	47,780	(420)
Professional fees	35,500	35,500	38,683	(3,183)
Insurance	118,000	118,000	141,148	(23,148)
Other current expenditures	<u>19,300</u>	<u>19,300</u>	<u>22,901</u>	<u>(3,601)</u>
	367,760	367,760	432,171	(64,411)
Election	13,200	13,200	16,535	(3,335)
Legal	96,000	96,000	91,773	4,227
Uncollectible accounts	-	-	883	(883)
Capital outlay	-	-	24,523	(24,523)
City Hall				
Utilities	8,700	8,700	10,408	(1,708)
Repairs and maintenance	3,500	3,500	15,896	(12,396)
Other current expenditures	<u>13,550</u>	<u>13,550</u>	<u>21,175</u>	<u>(7,625)</u>
	<u>25,750</u>	<u>25,750</u>	<u>47,479</u>	<u>(21,729)</u>
	620,628	620,628	749,504	(128,876)

City of La Crescent, Minnesota  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
Year ended December 31, 2022

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Public safety</b>				
Police department				
Salaries	\$ 731,400	\$ 731,400	\$ 706,934	\$ 24,466
Employee benefits	248,475	248,475	218,413	30,062
Other current expenditures	86,400	86,400	90,889	(4,489)
	<u>1,066,275</u>	<u>1,066,275</u>	<u>1,016,236</u>	<u>50,039</u>
Fire department				
Pensions	35,000	35,000	43,006	(8,006)
Building and zoning				
Salaries	53,620	53,620	33,947	19,673
Employee benefits	9,890	9,890	4,722	5,168
Other current expenditures	16,300	16,300	14,235	2,065
	<u>79,810</u>	<u>79,810</u>	<u>52,904</u>	<u>26,906</u>
Animal control				
Other current expenditures	20,250	20,250	12,967	7,283
Emergency services				
Other current expenditures	2,000	2,000	1,433	567
	<u>1,203,335</u>	<u>1,203,335</u>	<u>1,126,546</u>	<u>76,789</u>
<b>Public works</b>				
City engineer				
Salaries	104,100	104,100	104,217	(117)
Employee benefits	15,770	15,770	14,988	782
Other current expenditures	6,525	6,525	8,125	(1,600)
	<u>126,395</u>	<u>126,395</u>	<u>127,330</u>	<u>(935)</u>
Highways and streets				
Salaries	199,200	199,200	185,521	13,679
Employee benefits	54,005	54,005	45,350	8,655
Utilities	86,900	86,900	99,347	(12,447)
Repairs and maintenance	25,000	25,000	57,333	(32,333)
Street and alley repairs	4,129,606	4,129,606	2,237,366	1,892,240
Capital outlay	367,000	367,000	265,829	101,171
Other current expenditures	108,054	108,054	93,970	14,084
	<u>4,969,765</u>	<u>4,969,765</u>	<u>2,984,716</u>	<u>1,985,049</u>
Brush site				
Salaries	6,300	6,300	6,058	242
Employee benefits	1,055	1,055	900	155
Other current expenditures	2,950	2,950	618	2,332
	<u>10,305</u>	<u>10,305</u>	<u>7,576</u>	<u>2,729</u>
Public transportation				
Bus service	288,820	288,820	294,381	(5,561)
	<u>5,395,285</u>	<u>5,395,285</u>	<u>3,414,003</u>	<u>1,981,282</u>

City of La Crescent, Minnesota  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CONTINUED**  
**GENERAL FUND**  
Year ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Culture and recreation</b>				
Parks and recreation				
Salaries	\$ 93,400	\$ 93,400	\$ 109,457	\$ (16,057)
Employee benefits	22,816	22,816	20,128	2,688
Repairs and maintenance	16,750	16,750	22,761	(6,011)
Utilities	4,050	4,050	8,303	(4,253)
Other current expenditures	71,300	71,300	107,958	(36,658)
Pool				
Salaries	165,000	165,000	159,432	5,568
Employee benefits	13,650	13,650	12,197	1,453
Repairs and maintenance	10,000	10,000	20,688	(10,688)
Utilities	14,900	14,900	22,562	(7,662)
Other current expenditures	42,200	42,200	47,437	(5,237)
	<u>454,066</u>	<u>454,066</u>	<u>530,923</u>	<u>(76,857)</u>
<b>Debt service</b>				
Principal	25,810	25,810	25,810	-
Interest	3,843	3,843	3,843	-
	<u>29,653</u>	<u>29,653</u>	<u>29,653</u>	<u>-</u>
<b>Total expenditures</b>	<u>7,702,967</u>	<u>7,702,967</u>	<u>5,850,629</u>	<u>1,852,338</u>
Excess revenues over expenditures	(845,080)	(845,080)	114,253	959,333
<b>Other financing sources (uses)</b>				
Proceeds from borrowing	1,300,000	1,300,000	-	(1,300,000)
Net operating transfers in (out)	(459,590)	(459,590)	298,736	758,326
	<u>840,410</u>	<u>840,410</u>	<u>298,736</u>	<u>(541,674)</u>
Net change in fund balance	(4,670)	(4,670)	412,989	417,659
Fund balance January 1	<u>1,175,233</u>	<u>1,175,233</u>	<u>1,175,233</u>	<u>-</u>
Fund balance December 31	<u>\$ 1,170,563</u>	<u>\$ 1,170,563</u>	<u>\$ 1,588,222</u>	<u>\$ 417,659</u>

Budget columns are shown as approved by city council.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS**

**General Employees 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.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2020 Changes (Continued):

Changes in Actuarial Assumptions (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2022 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2022.

2019 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2022, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2022. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2018 Changes (Continued):

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2022.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2022 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2022 to 2031.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

**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 6.5% to 5.4%.

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 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.

Changes in Plan Provisions

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



City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2020 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2022, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2022.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2022.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2017 Changes:

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement 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.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE A - PUBLIC EMPLOYEES GENERAL EMPLOYEES AND POLICE AND FIRE RETIREMENT FUNDS - CONTINUED**

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation rate up to 2.50 percent, to a fixed rate of 2.50 percent.

**NOTE B - BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Clerk Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public (truth-in-taxation) hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a Council resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

City of La Crescent, Minnesota  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
Year ended December 31, 2022

**NOTE B - BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED**

5. Budgets for the General Fund and Enterprise Funds are adopted on a basis consistent with the modified accrual basis of accounting. Reported budget amounts are as authorized in the original budget resolution or as amended by City Council resolution.

**NOTE C - BASIS OF ACCOUNTING**

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements.

**NOTE D - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

The following functions had excess of actual expenditures over budget for the year ended December 31, 2022:

<u>Individual Fund and Function</u>	<u>Expenditures</u>
General Fund	
General government	\$ 128,876
Culture and recreation	76,857

**SUPPLEMENTAL INFORMATION**

City of La Crescent, Minnesota  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2022

		2009	2011A	2011B	2013A	2016A	2017A	2018A	2019A	2019B	2020A -	2020A -	2022A -	
	Revolving	GO	GO	GO	GO	GO	GO	GO	GO	GO	HTM GO	Arena GO	GO	Totals
		Refunding	Street	Aquatic	Equipment	Equipment	Equipment	Improvement	Improvement	Improvement	Improvement	Improvement	Improvement	
ASSETS														
Cash and investments	\$ 19,743	\$ 110,700	\$ 53,506	\$ 296,458	\$ 87,387	\$ 111,803	\$ 128,412	\$ 191,691	\$ 48,729	\$ 29,498	\$ 1,759,285	\$ 12,457	\$ 57,418	\$ 2,907,087
Taxes receivable - delinquent	-	301	645	1,409	471	804	844	957	295	180	1,021	113	-	7,040
Special assessments receivable														
Current	-	9,705	-	-	-	-	-	50,171	-	-	-	-	-	59,876
Deferred	-	57,779	-	-	-	-	-	589,644	-	-	66,142	-	-	713,565
Interest receivable	19	107	52	286	84	108	124	185	47	28	1,695	12	55	2,802
Due from other governments	-	72	1,729	2,862	576	1,619	1,732	2,113	716	465	6,673	343	-	18,900
Total assets	\$ 19,762	\$ 178,664	\$ 55,932	\$ 301,015	\$ 88,518	\$ 114,334	\$ 131,112	\$ 834,761	\$ 49,787	\$ 30,171	\$ 1,834,816	\$ 12,925	\$ 57,473	\$ 3,709,270
LIABILITIES														
Accounts payable	\$ -	\$ 64	\$ -	\$ 103	\$ -	\$ 66	\$ -	\$ 188	\$ 188	\$ 21	\$ 180	\$ 8	\$ 188	\$ 1,006
	-	64	-	103	-	66	-	188	188	21	180	8	188	1,006
DEFERRED INFLOWS OF RESOURCES														
Unavailable special assessments	-	67,484	-	-	-	-	-	639,815	-	-	66,142	-	-	773,441
FUND BALANCE														
Restricted	19,762	111,116	55,932	300,912	88,518	114,268	131,112	194,758	49,599	30,150	1,768,494	12,917	57,285	2,934,823
Total liabilities, deferred inflows of resources, and fund balance	\$ 19,762	\$ 178,664	\$ 55,932	\$ 301,015	\$ 88,518	\$ 114,334	\$ 131,112	\$ 834,761	\$ 49,787	\$ 30,171	\$ 1,834,816	\$ 12,925	\$ 57,473	\$ 3,709,270

City of La Crescent, Minnesota  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
Year ended December 31, 2022

		2009	2011A	2011B	2013A	2016A	2017A	2018A	2019A	2019B	2020A -	2020A -	2022A -	
	Revolving	GO	GO	GO	GO	GO	GO	GO	GO	GO	HTM GO	ARENA GO	GO	Totals
		Refunding	Improvement	Aquatic	Equipment	Equipment	Equipment	Improvement	Improvement	Improvement	Improvement	Improvement	Improvement	
Revenues														
Taxes	\$ -	\$ 4,982	\$ 120,089	\$ 198,839	\$ 40,044	\$ 112,471	\$ 120,326	\$ 146,770	\$ 49,720	\$ 32,332	\$ 188,106	\$ 23,854	\$ -	\$ 1,037,533
Special assessments	-	-	-	-	-	-	-	17,347	-	-	6,995	-	-	24,342
Investment income	177	512	20	1,134	659	357	457	33,357	116	1,316	11,193	46	221	49,565
Total revenues	177	5,494	120,109	199,973	40,703	112,828	120,783	197,474	49,836	33,648	206,294	23,900	221	1,111,440
Expenditures														
Other	29	318	16	464	458	246	428	700	683	76	665	28	188	4,299
Debt Service														
Principal retirement	-	105,000	130,000	145,000	81,000	85,000	97,000	110,000	50,000	20,000	270,000	10,000	-	1,103,000
Interest, fiscal agent														
and other charges	-	3,250	1,788	39,838	4,920	22,863	15,854	78,950	18,756	10,325	94,000	3,400	-	293,944
Total expenditures	29	108,568	131,804	185,302	86,378	108,109	113,282	189,650	69,439	30,401	364,665	13,428	188	1,401,243
Excess of revenues over (under) expenditures	148	(103,074)	(11,695)	14,671	(45,675)	4,719	7,501	7,824	(19,603)	3,247	(158,371)	10,472	33	(289,803)
Other financing source														
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	57,252	57,252
Operating transfers in (out)	-	-	62,898	-	-	-	-	-	22,099	-	-	-	-	84,997
	-	-	62,898	-	-	-	-	-	22,099	-	-	-	57,252	142,249
Net change in fund balance	148	(103,074)	51,203	14,671	(45,675)	4,719	7,501	7,824	2,496	3,247	(158,371)	10,472	57,285	(147,554)
Fund balances at January 1	19,614	214,190	4,729	286,241	134,193	109,549	123,611	186,934	47,103	26,903	1,926,865	2,445	-	3,082,377
Fund balances at December 31	\$ 19,762	\$ 111,116	\$ 55,932	\$ 300,912	\$ 88,518	\$ 114,268	\$ 131,112	\$ 194,758	\$ 49,599	\$ 30,150	\$ 1,768,494	\$ 12,917	\$ 57,285	\$ 2,934,823

City of La Crescent, Minnesota  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUNDS**  
December 31, 2022

	2017 Equipment Project	2019B Improvements Project	2020A Improvements Project	Wieser Park Project	2022 Improvements Project	Total Capital Projects
<b>ASSETS</b>						
Cash and						
investments	\$ 22,390	\$ 8,904	\$ 310,079	\$ 411,945	\$ 841,614	\$ 1,594,932
Interest receivable	22	9	299	397	859	1,586
Total assets	<u>\$ 22,412</u>	<u>\$ 8,913</u>	<u>\$ 310,378</u>	<u>\$ 412,342</u>	<u>\$ 842,473</u>	<u>\$ 1,596,518</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 16,481	\$ -	\$ 71,386	\$ 87,867
Total liabilities	-	-	16,481	-	71,386	87,867
<b>FUND BALANCES</b>						
Restricted	22,412	8,913	293,897	412,342	771,087	1,508,651
Total fund balance	<u>22,412</u>	<u>8,913</u>	<u>293,897</u>	<u>412,342</u>	<u>771,087</u>	<u>1,508,651</u>
Total liabilities and fund balance	<u>\$ 22,412</u>	<u>\$ 8,913</u>	<u>\$ 310,378</u>	<u>\$ 412,342</u>	<u>\$ 842,473</u>	<u>\$ 1,596,518</u>



City of La Crescent, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUNDS**  
Year ended December 31, 2022

	2017 Equipment Project	2019B Improvements Project	2020A Improvements Project	Wieser Park Project	2022 Improvements Project	Total Capital Projects
<b>Revenues</b>						
Donations	\$ -	\$ -	\$ -	\$ 375,596	\$ -	\$ 375,596
Investment income	144	269	1,621	865	5,542	8,441
Total revenues	<u>144</u>	<u>269</u>	<u>1,621</u>	<u>376,461</u>	<u>5,542</u>	<u>384,037</u>
<b>Expenditures</b>						
Capital projects	<u>18,436</u>	<u>-</u>	<u>3,032</u>	<u>15,500</u>	<u>1,248,912</u>	<u>1,285,880</u>
Total expenditures	<u>18,436</u>	<u>-</u>	<u>3,032</u>	<u>15,500</u>	<u>1,248,912</u>	<u>1,285,880</u>
Excess revenues over expenditures	(18,292)	269	(1,411)	360,961	(1,243,370)	(901,843)
<b>Other financing sources</b>						
Proceeds from long term debt	-	-	-	-	2,527,748	2,527,748
Bond premium	-	-	-	-	11,036	11,036
Operating transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(524,327)</u>	<u>(524,327)</u>
					<u>2,014,457</u>	<u>2,014,457</u>
Net change in fund balance	(18,292)	269	(1,411)	360,961	771,087	1,112,614
Fund balances at January 1	<u>40,704</u>	<u>8,644</u>	<u>295,308</u>	<u>51,381</u>	<u>-</u>	<u>396,037</u>
Fund balances at December 31	<u>\$ 22,412</u>	<u>\$ 8,913</u>	<u>\$ 293,897</u>	<u>\$ 412,342</u>	<u>\$ 771,087</u>	<u>\$ 1,508,651</u>

City of La Crescent, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2022

	Library Fund	Fire Depart- ment	SCDP	Amish Store 2-1 TIF District	Heth 5-1 TIF District	Gundersen 4-2 TIF District	Hotel & Event Center 1-8 TIF District	NOLOP 1-9 TIF District	Total
<b>ASSETS</b>									
Investments	\$ 37,262	\$ 509,422	\$ 24,883	\$ 22,064	\$ 201	\$ 149,860	\$ 36,303	\$ -	\$ 779,995
Taxes receivable									
Delinquent	1,206	-	-	-	-	-	-	-	1,206
Interest receivable	36	491	-	21	-	144	35	-	727
Due from other governments	2,535	-	-	-	-	-	-	-	2,535
Prepaid expenses	2,078	7,197	-	-	-	-	-	-	9,275
Total assets	\$ 43,117	\$ 517,110	\$ 24,883	\$ 22,085	\$ 201	\$ 150,004	\$ 36,338	\$ -	\$ 793,738
<b>LIABILITIES</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,997	\$ 7,997
Accounts payable	3,390	19,441	-	-	-	-	-	-	22,831
Accrued liabilities	4,559	25,172	-	-	-	-	-	8	29,739
	7,949	44,613	-	-	-	-	-	8,005	60,567
<b>FUND BALANCE (DEFICIENCY IN ASSETS)</b>									
Restricted	35,168	472,497	24,883	22,085	201	150,004	36,338	-	741,176
Unrestricted									
Unassigned	-	-	-	-	-	-	-	(8,005)	(8,005)
	35,168	472,497	24,883	22,085	201	150,004	36,338	(8,005)	733,171
Total liabilities and fund balance	\$ 43,117	\$ 517,110	\$ 24,883	\$ 22,085	\$ 201	\$ 150,004	\$ 36,338	\$ -	\$ 793,738

City of La Crescent, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year ended December 31, 2022

	Library Fund	Fire Depart- ment	SCDP	Amish Store 2-1 TIF District	Heth 5-1 TIF District	Gundersen 4-2 TIF District	Hotel & Event Center 1-8 TIF District	NOLOP 1-9 TIF District	Totals
<b>Revenues</b>									
Taxes	\$ 176,085	\$ -	\$ -	\$ 8,480	\$ 7,736	\$ 35,009	\$ 71,235	\$ -	\$ 298,545
Intergovernmental revenues	50,096	52,563	600	-	-	-	-	-	103,259
Charges for services	1,933	88,863	-	-	-	-	-	-	90,796
Fines	779	-	-	-	-	-	-	-	779
Investment income	-	2,615	-	114	-	776	75	-	3,580
Contributions and grants	26,464	1,375	-	-	-	-	-	-	27,839
Recycled SCDP loan proceeds	-	-	6,000	-	-	-	-	-	6,000
Miscellaneous	-	6,709	-	-	-	-	-	-	6,709
Total revenues	<u>255,357</u>	<u>152,125</u>	<u>6,600</u>	<u>8,594</u>	<u>7,736</u>	<u>35,785</u>	<u>71,310</u>	<u>-</u>	<u>537,507</u>
<b>Expenditures</b>									
Salaries and wages	135,813	93,537	-	-	-	-	-	-	229,350
Employee fringe benefits	23,971	8,238	-	-	-	-	-	-	32,209
Repairs and maintenance	5,475	15,959	-	-	-	-	-	-	21,434
Equipment rental	72	-	-	-	-	-	-	-	72
Books and periodicals purchased	22,233	-	-	-	-	-	-	-	22,233
Computer and internet expenses	17,835	-	-	-	-	-	-	-	17,835
Insurance	5,751	20,099	-	-	-	-	-	-	25,850
Utilities	4,640	11,112	-	-	-	-	-	-	15,752
Communications	1,756	10,667	-	-	-	-	-	-	12,423
Capital outlay	-	43,106	-	-	-	-	-	-	43,106
Office supplies and expenses	1,698	848	-	-	-	-	-	-	2,546
Contractual services	3,691	24,313	-	-	-	-	-	-	28,004
General supplies	5,999	29,127	-	-	-	-	-	-	35,126
Training	-	1,761	-	-	-	-	-	-	1,761
Travel and conventions	258	2,545	-	-	-	-	-	-	2,803
Bad debt	68	-	-	-	-	-	-	-	68
Miscellaneous	-	6,000	-	-	-	-	-	-	6,000
Interest expense	48	-	-	-	-	-	-	-	48
SCDP grant expenditures	-	-	3,450	-	-	-	-	-	3,450
Revolving loan expenses	-	-	-	-	-	-	-	-	-
TIF related expenditures	-	-	-	8,757	8,098	16,484	42,222	1,024	76,585
Debt service									
Principal	-	36,000	-	-	-	-	-	-	36,000
Total expenditures	<u>229,308</u>	<u>303,312</u>	<u>3,450</u>	<u>8,757</u>	<u>8,098</u>	<u>16,484</u>	<u>42,222</u>	<u>1,024</u>	<u>612,655</u>
Excess of revenues over (under) expenditures	26,049	(151,187)	3,150	(163)	(362)	19,301	29,088	(1,024)	(75,148)
<b>Other financing source</b>									
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	185,591	-	-	-	-	(22,099)	-	163,492
	<u>-</u>	<u>185,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,099)</u>	<u>-</u>	<u>163,492</u>
Net change in fund balance	26,049	34,404	3,150	(163)	(362)	19,301	6,989	(1,024)	88,344
Fund balances (deficiency in assets) at January 1	<u>9,119</u>	<u>438,093</u>	<u>21,733</u>	<u>22,248</u>	<u>563</u>	<u>130,703</u>	<u>29,349</u>	<u>(6,981)</u>	<u>644,827</u>
Fund balances (deficiency in assets) at December 31	<u>\$ 35,168</u>	<u>\$ 472,497</u>	<u>\$ 24,883</u>	<u>\$ 22,085</u>	<u>\$ 201</u>	<u>\$ 150,004</u>	<u>\$ 36,338</u>	<u>\$ (8,005)</u>	<u>\$ 733,171</u>

SUPPORTING SCHEDULES

City of La Crescent, Minnesota  
**SCHEDULE OF SOURCES AND USES OF FUNDS FOR**  
**THE CITY OF LA CRESCENT TAX INCREMENT FINANCING**  
**DISTRICT NO. 2-1**

For the year ended December 31, 2022

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
<b>Source of funds</b>				
Tax increments	\$ 122,352	\$ 224,996	\$ 8,480	\$ (111,124)
Transfer in	-	109	-	(109)
Investment income	-	5,998	114	(6,112)
Total sources of funds	122,352	231,103	8,594	(117,345)
<b>Uses of funds</b>				
Administration	-	18,105	1,125	(19,230)
Land purchase and improvements	122,352	190,750	7,632	(76,030)
Total uses of funds	122,352	208,855	8,757	(95,260)
Funds remaining	\$ -	\$ 22,248	\$ (163)	\$ (22,085)

Note: The developer agreed to self-finance the project, with 90% of tax increments being repaid annually back to developer by the City.  
The City retains 10% of the increment. Also, see note J.

City of La Crescent, Minnesota  
**SCHEDULE OF SOURCES AND USES OF FUNDS FOR**  
**THE CITY OF LA CRESCENT TAX INCREMENT FINANCING**  
**DISTRICT NO. 5-1**  
For the year ended December 31, 2022

	<u>Original Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>	<u>Amount Remaining</u>
<b>Source of funds</b>				
Tax increments	\$ 167,088	\$ 94,866	\$ 7,736	\$ 64,486
Investment income	-	150	-	(150)
Total sources of funds	<u>167,088</u>	<u>95,016</u>	<u>7,736</u>	<u>64,336</u>
<b>Uses of funds</b>				
Administration	16,702	12,555	1,136	3,011
Site improvements	<u>150,386</u>	<u>81,898</u>	<u>6,962</u>	<u>61,526</u>
Total uses of funds	<u>167,088</u>	<u>94,453</u>	<u>8,098</u>	<u>64,537</u>
Funds remaining	<u>\$ -</u>	<u>\$ 563</u>	<u>\$ (362)</u>	<u>\$ (201)</u>

Note: The developer agreed to self-finance the project, with 90% of tax increments being repaid annually back to developer by the City. The City retains 10% of the increment. Also, see note J.

City of La Crescent, Minnesota  
**SCHEDULE OF SOURCES AND USES OF FUNDS FOR**  
**THE CITY OF LA CRESCENT TAX INCREMENT FINANCING**  
**DISTRICT NO. 4-2**  
For the year ended December 31, 2022

	<u>Original Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>	<u>Amount Remaining</u>
<b>Source of funds</b>				
Tax increments	\$ 730,520	\$ 432,161	\$ 35,009	\$ 263,350
Investment income	-	15,590	776	(16,366)
Total sources of funds	<u>730,520</u>	<u>447,751</u>	<u>35,785</u>	<u>246,984</u>
<b>Uses of funds</b>				
Administration	73,080	15,057	125	57,898
Site improvements	657,440	186,991	16,359	454,090
Transfers out	-	115,000	-	(115,000)
Total uses of funds	<u>730,520</u>	<u>317,048</u>	<u>16,484</u>	<u>396,988</u>
Funds remaining	<u><u>\$ -</u></u>	<u><u>\$ 130,703</u></u>	<u><u>\$ 19,301</u></u>	<u><u>\$ (150,004)</u></u>

Note: The developer agreed to self-finance the project, with 45% of tax increments being repaid annually back to developer by the City. The City retains 55% of the increment. Also, see note J.

City of La Crescent, Minnesota  
**SCHEDULE OF SOURCES AND USES OF FUNDS FOR**  
**THE CITY OF LA CRESCENT TAX INCREMENT FINANCING**  
**DISTRICT NO. 1-8**  
For the year ended December 31, 2022

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
<b>Source of funds</b>				
Tax increments	\$ 1,650,000	\$ 94,083	\$ 71,235	\$ 1,484,682
Investment income	35,000	134	75	34,791
Proceeds from long-term debt	985,000	380,000	-	605,000
Total sources of funds	2,670,000	474,217	71,310	2,124,473
<b>Uses of funds</b>				
Administration	50,000	60,032	42,222	(52,254)
Site acquisition	350,000	350,000	-	-
Site improvements	585,000	-	-	585,000
Transfers out	1,685,000	34,836	22,099	1,628,065
Total uses of funds	2,670,000	444,868	64,321	2,160,811
Funds remaining	\$ -	\$ 29,349	\$ 6,989	\$ (36,338)

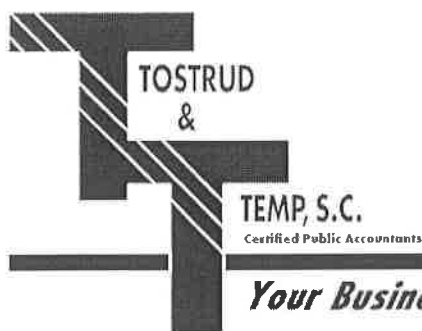


City of La Crescent, Minnesota  
**SCHEDULE OF SOURCES AND USES OF FUNDS FOR**  
**THE CITY OF LA CRESCENT TAX INCREMENT FINANCING**  
**DISTRICT NO. 1-9**

For the year ended December 31, 2022

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
<b>Source of funds</b>				
Tax increments	\$ 300,235	\$ -	\$ -	\$ 300,235
Investment income	5,000	-	-	5,000
Proceeds from long-term debt	-	-	-	-
Total sources of funds	<u>305,235</u>	<u>-</u>	<u>-</u>	<u>305,235</u>
<b>Uses of funds</b>				
Administration	110,235	6,981	1,024	102,230
Site acquisition	-	-	-	-
Site improvements	195,000	-	-	195,000
Transfers out	-	-	-	-
Total uses of funds	<u>305,235</u>	<u>6,981</u>	<u>1,024</u>	<u>297,230</u>
Funds remaining	<u>\$ -</u>	<u>\$ (6,981)</u>	<u>\$ (1,024)</u>	<u>\$ 8,005</u>

COMPLIANCE REPORTS



609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

***Your Business Safety Net***

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of the City Council  
La Crescent, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Crescent, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

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

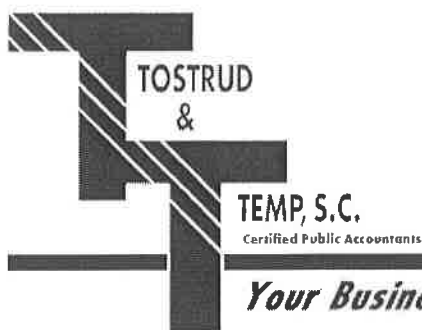
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 27, 2023



609 S. 4th Street, Suite B  
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INDEPENDENT AUDITOR'S REPORT BASED ON AN AUDIT  
OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH THE LEGAL COMPLIANCE AUDIT GUIDE

The Honorable Mayor and Members  
of the City Council  
City of La Crescent  
La Crescent, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Crescent, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*Tostrud + Temp, S.C.*

September 27, 2023