

CITY OF NEWPORT
WASHINGTON COUNTY, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
December 31, 2022

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CITY OF NEWPORT
WASHINGTON COUNTY, MINNESOTA

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WASHINGTON COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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CITY OF NEWPORT
WASHINGTON COUNTY, MINNESOTA

City Council and Other Officials
As of December 31, 2022

CITY COUNCIL

Laurie Elliott
Kevin Chapdelaine
Tom Ingemann
Rozlyn Johnson
Marvin Taylor

Mayor
Councilmember
Councilmember
Councilmember
Councilmember

OTHER OFFICIALS

Joseph Hatch

City Administrator

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Newport, Minnesota

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 Newport, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 to the basic financial statements, in fiscal 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 12 months beyond the financial statements 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 judgement 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.

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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 GASB, 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 RSI 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 supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is 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 supplementary information is 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 other information 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.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 8, 2023

CITY OF NEWPORT

Management's Discussion and Analysis Year Ended December 31, 2022

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other information in addition to the basic financial statements.

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, delinquent taxes and special assessments).

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

The government-wide financial statements include the City itself (known as the primary government) and any component units. The City does have a component unit, the Newport Economic Development Authority, that is required to be included in the City's financial statements. The activities of the component unit have been blended with the activities of the City.

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

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

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

The fund financial statements present information for each major governmental fund in separate columns. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the General Fund and Economic Development Authority Special Revenue Fund. Budget to actual comparisons are provided in this financial report for these funds.

Proprietary Funds – All of the City's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise funds include the Water, Sewer, Street Light, and Storm Sewer Enterprise Funds.

The fund financial statements present information for each major enterprise fund in separate columns.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – Required supplementary information (RSI) on pension plans is presented following the notes to the basic financial statements. Combining statements for nonmajor funds and certain individual fund schedules are presented following the RSI. The other information section contains other selected financial information of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the City's net position:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and other assets | \$ 13,955,762 | \$ 13,234,850 | \$ 3,983,728 | \$ 4,953,122 | \$ 17,939,490 | \$ 18,187,972 |
| Capital assets, net | 19,094,643 | 17,016,922 | 6,616,189 | 6,984,048 | 25,710,832 | 24,000,970 |
| Total assets | 33,050,405 | 30,251,772 | 10,599,917 | 11,937,170 | 43,650,322 | 42,188,942 |
| Deferred outflows of resources | | | | | | |
| Pension plan deferments | 369,375 | 341,997 | 98,879 | 101,416 | 468,254 | 443,413 |
| Total assets and deferred outflows of resources | \$ 33,419,780 | \$ 30,593,769 | \$ 10,698,796 | \$ 12,038,586 | \$ 44,118,576 | \$ 42,632,355 |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | \$ 13,303,070 | \$ 13,864,423 | \$ 3,252,434 | \$ 3,343,188 | \$ 16,555,504 | \$ 17,207,611 |
| Other liabilities | 1,190,671 | 1,331,434 | 124,985 | 105,329 | 1,315,656 | 1,436,763 |
| Total liabilities | 14,493,741 | 15,195,857 | 3,377,419 | 3,448,517 | 17,871,160 | 18,644,374 |
| Deferred inflows of resources | | | | | | |
| Lease revenue for subsequent years | 2,708,391 | — | — | — | 2,708,391 | — |
| Pension plan deferments | 151,968 | 616,386 | 4,004 | 118,991 | 155,972 | 735,377 |
| Total deferred inflows of resources | 2,860,359 | 616,386 | 4,004 | 118,991 | 2,864,363 | 735,377 |
| Net position | | | | | | |
| Net investment in capital assets | 6,713,513 | 6,456,238 | 3,656,695 | 3,769,866 | 10,370,208 | 10,226,104 |
| Restricted | 4,532,983 | 4,673,246 | — | — | 4,532,983 | 4,673,246 |
| Unrestricted | 4,819,184 | 3,652,042 | 3,660,678 | 4,701,212 | 8,479,862 | 8,353,254 |
| Total net position | 16,065,680 | 14,781,526 | 7,317,373 | 8,471,078 | 23,383,053 | 23,252,604 |
| Total liabilities, deferred inflows of resources, and net position | \$ 33,419,780 | \$ 30,593,769 | \$ 10,698,796 | \$ 12,038,586 | \$ 44,118,576 | \$ 42,632,355 |

The City's financial position is the product of many factors. For example, the determination of the City's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

Over the past several years, the City has taken a conservative financial approach. The ongoing management of revenue and expenses has allowed the City to maintain a stable net position balance.

The increase in lease revenue for subsequent years relates to the implementation of Governmental Accounting Standards Board Statement No. 87 on leases in the current year.

The following is a summary of the City's changes in net position:

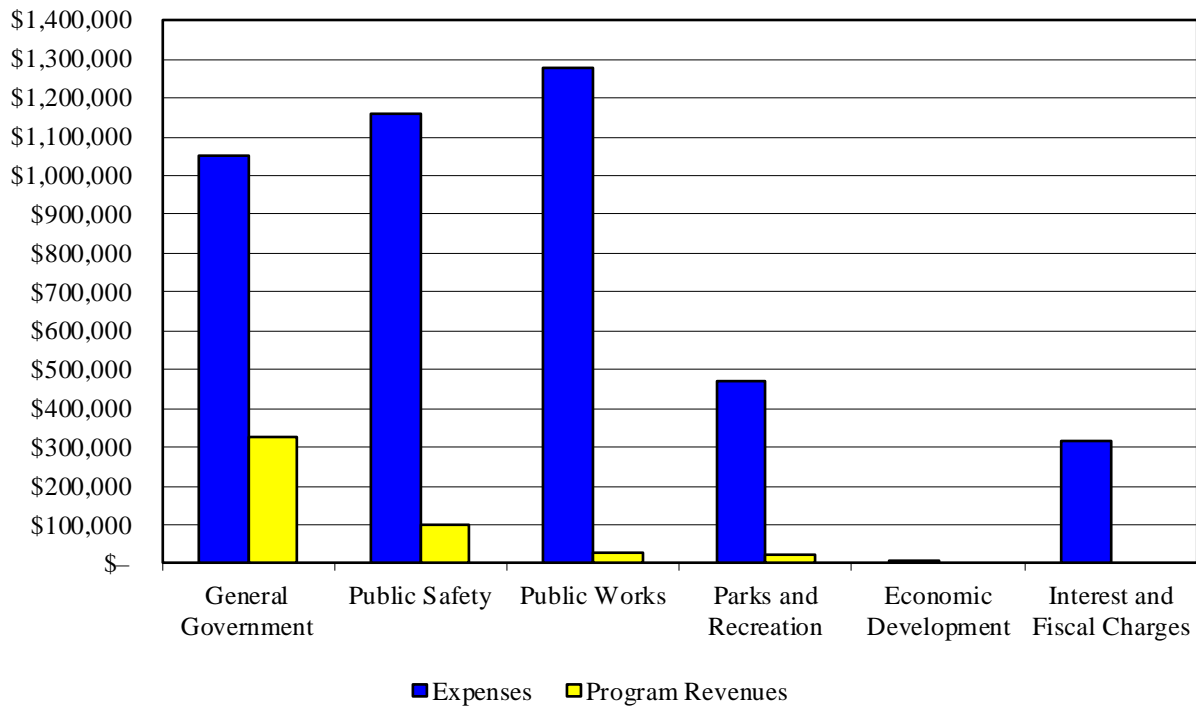
| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 340,924 | \$ 659,826 | \$ 1,719,295 | \$ 2,197,475 | \$ 2,060,219 | \$ 2,857,301 |
| Operating grants and contributions | 110,067 | 73,750 | 1,286 | 318 | 111,353 | 74,068 |
| Capital grants and contributions | 28,090 | 42,341 | 18,029 | 36,015 | 46,119 | 78,356 |
| General revenues | | | | | | |
| Property taxes | 3,301,804 | 2,981,292 | — | — | 3,301,804 | 2,981,292 |
| General grants and contributions | 508,138 | 575,471 | — | — | 508,138 | 575,471 |
| Other general revenues | 119,813 | 124,715 | 550 | — | 120,363 | 124,715 |
| Investment earnings (losses) | (187,294) | (11,317) | (81,992) | 7,299 | (269,286) | (4,018) |
| Gain on sale of assets | 212,730 | 38,681 | — | — | 212,730 | 38,681 |
| Total revenues | 4,434,272 | 4,484,759 | 1,657,168 | 2,241,107 | 6,091,440 | 6,725,866 |
| Expenses | | | | | | |
| General government | 1,049,353 | 1,067,946 | — | — | 1,049,353 | 1,067,946 |
| Public safety | 1,159,496 | 1,124,710 | — | — | 1,159,496 | 1,124,710 |
| Public works | 1,275,975 | 1,092,117 | — | — | 1,275,975 | 1,092,117 |
| Parks and recreation | 471,974 | 442,354 | — | — | 471,974 | 442,354 |
| Economic development | 3,234 | 20,284 | — | — | 3,234 | 20,284 |
| Water | — | — | 629,756 | 521,069 | 629,756 | 521,069 |
| Sewer | — | — | 805,470 | 885,665 | 805,470 | 885,665 |
| Street light | — | — | 67,519 | 54,934 | 67,519 | 54,934 |
| Storm sewer | — | — | 182,857 | 96,714 | 182,857 | 96,714 |
| Interest and fiscal charges | 315,357 | 263,555 | — | — | 315,357 | 263,555 |
| Total expenses | 4,275,389 | 4,010,966 | 1,685,602 | 1,558,382 | 5,960,991 | 5,569,348 |
| Revenues less expenses | 158,883 | 473,793 | (28,434) | 682,725 | 130,449 | 1,156,518 |
| Transfers | 1,125,271 | (2,947,486) | (1,125,271) | 2,947,486 | — | — |
| Changes in net position | 1,284,154 | (2,473,693) | (1,153,705) | 3,630,211 | 130,449 | 1,156,518 |
| Net position – beginning | 14,781,526 | 17,255,219 | 8,471,078 | 4,840,867 | 23,252,604 | 22,096,086 |
| Net position – ending | \$ 16,065,680 | \$ 14,781,526 | \$ 7,317,373 | \$ 8,471,078 | \$ 23,383,053 | \$ 23,252,604 |

Charges for services decreased, due to the City having decreased building permit activity related to the Bailey Meadows housing development project in the prior year. Property taxes increased, due to the result of an increased levy. The decline in investment earnings is the result of market conditions in the current year.

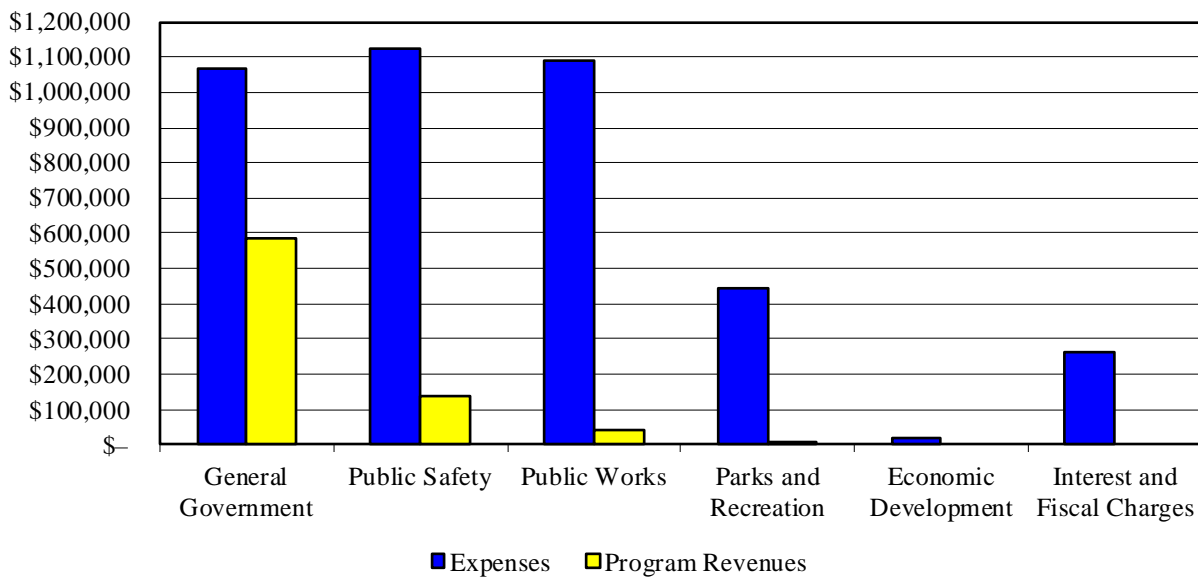
Governmental Activities – The following graphs illustrate the City’s governmental activities:

Expenses and Program Revenues – Governmental Activities for Fiscal Years 2022 and 2021

Fiscal Year 2022

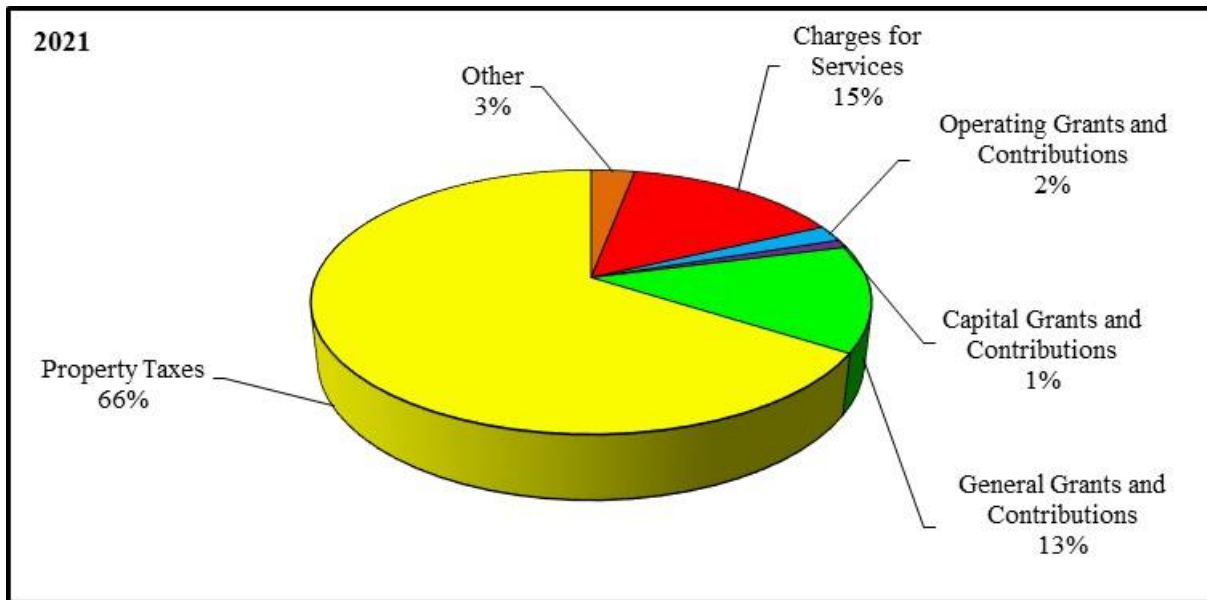
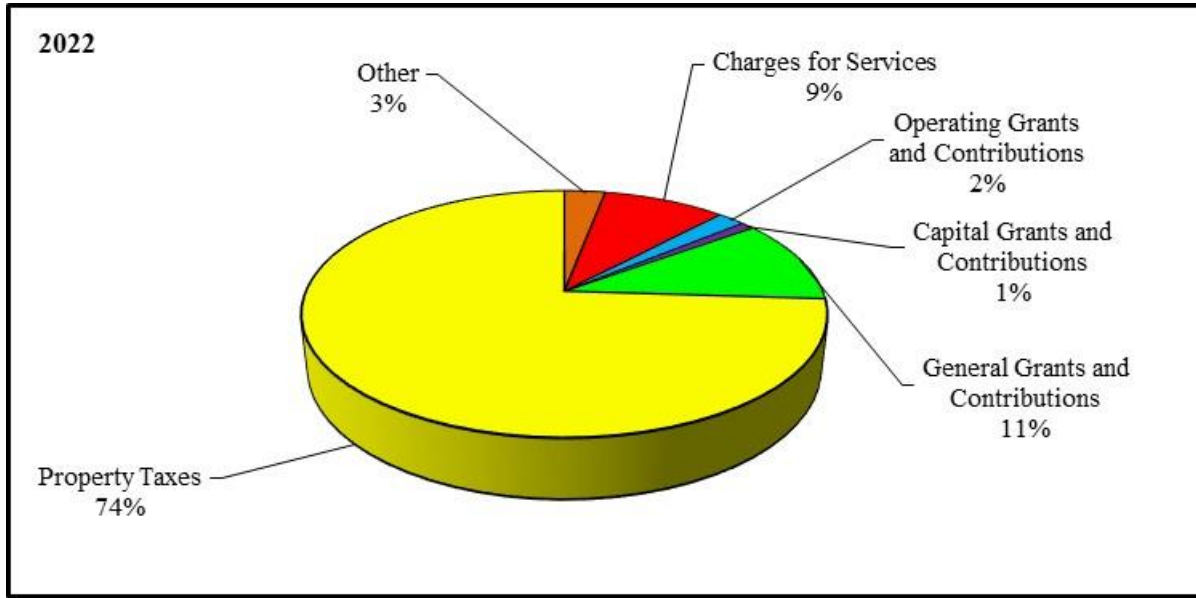


Fiscal Year 2021



The governmental activities expenses and program revenues, shown in the above graphs, clearly reflects the need for property taxes and general grants to supplement the activities of the City.

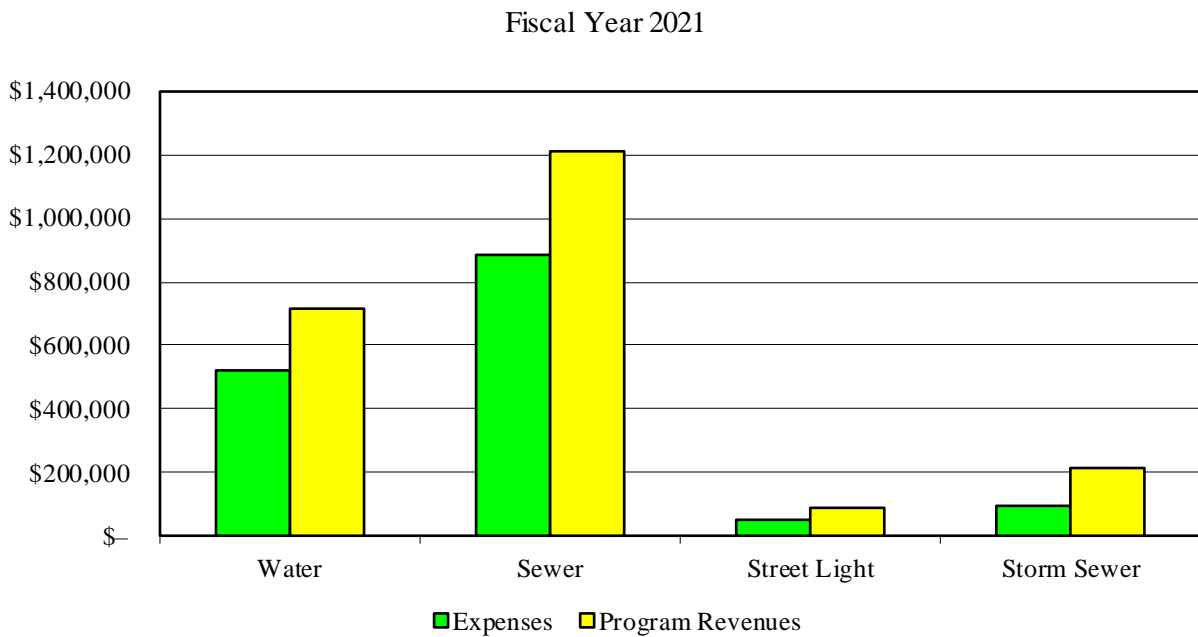
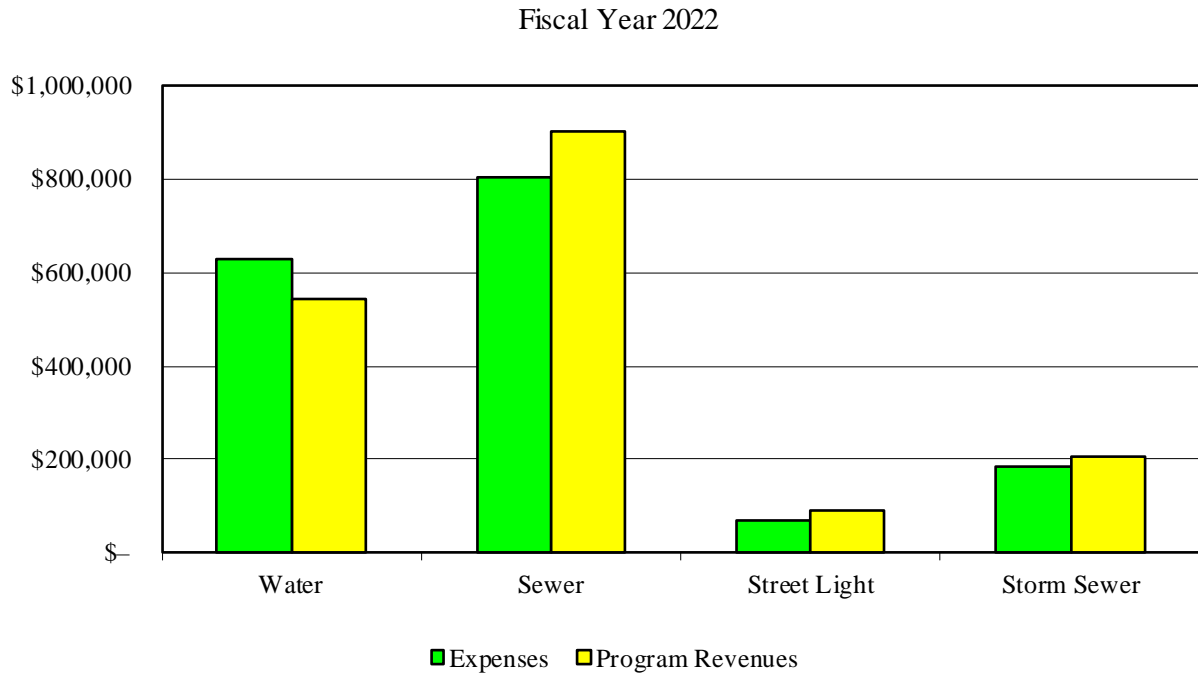
Revenue by Source – Governmental Activities for Fiscal Years 2022 and 2021



As is common with most cities, the governmental-type activities are primarily funded with taxes and general grants, including local government aid and tax credits, rather than with program revenues.

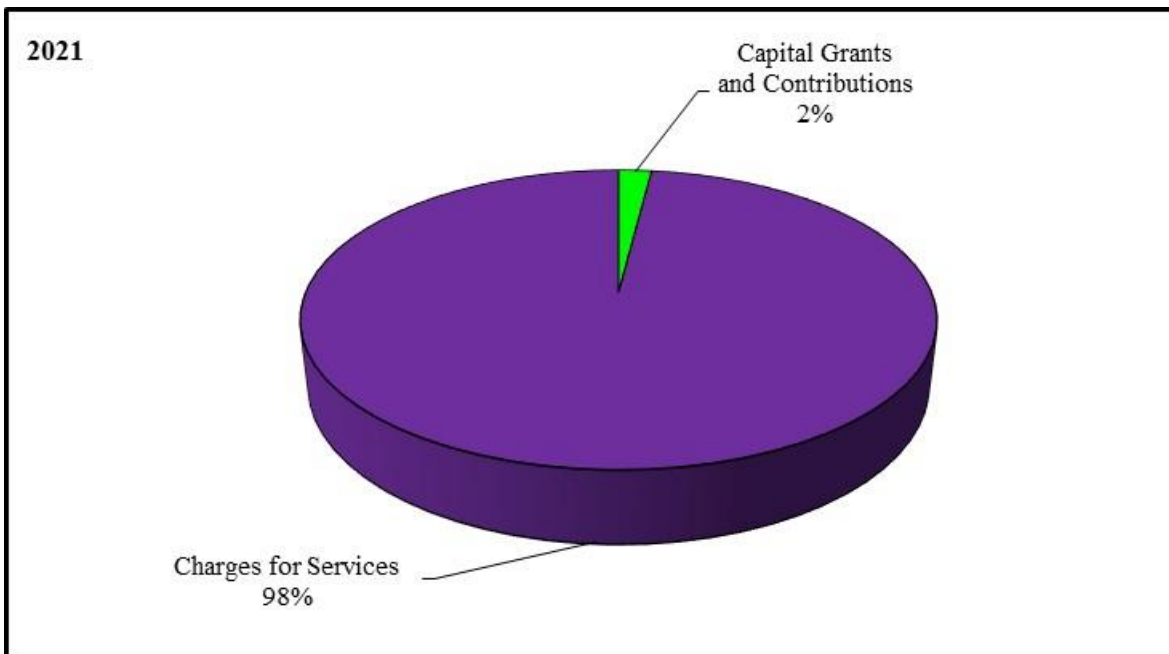
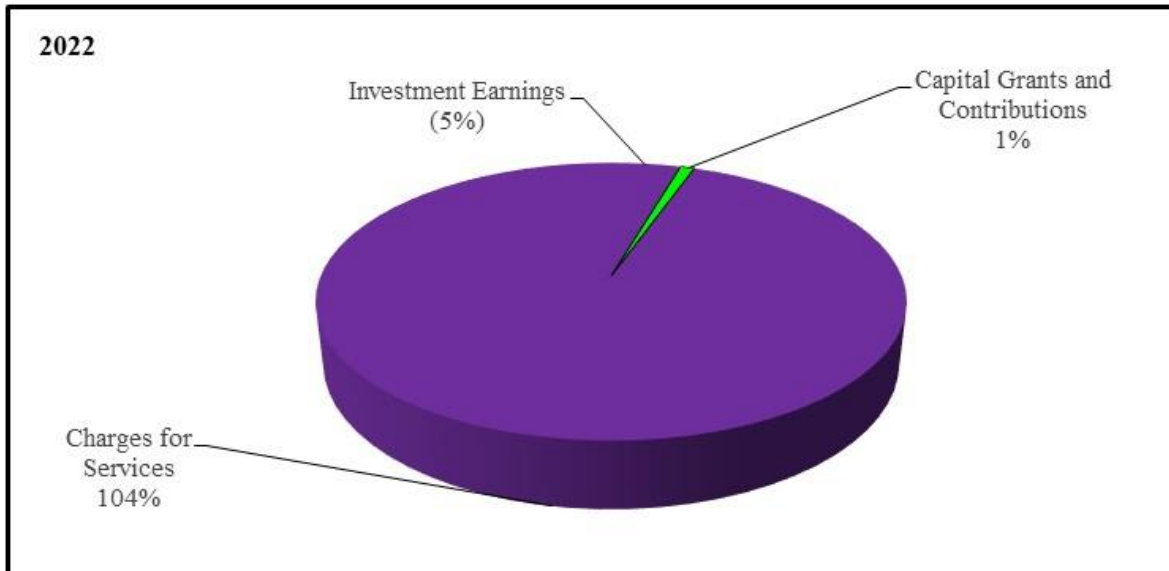
Business-Type Activities – The following graphs illustrate the City’s business-type activities:

Expenses and Program Revenues – Business-Type Activities for Fiscal Years 2022 and 2021



Unlike governmental activities, these activities are mostly funded through program revenues, such as sales and user charges. The decrease in revenues in the water and sewer operations is due to decreased activity relating to the Bailey Meadows housing development in fiscal 2022.

Revenues by Source – Business-Type Activities for Fiscal Years 2022 and 2021



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds – At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,470,552, a decrease of \$1,507,124 in comparison with the prior year.

General Fund – The General Fund operating results can be summarized as follows:

| | Original and Final Budget | Actual | Over (Under) Budget | Prior Year Actual |
|--|------------------------------|---------------------|------------------------|----------------------|
| Revenue | \$ 3,318,350 | \$ 3,232,877 | \$ (85,473) | \$ 3,676,972 |
| Expenditures | 3,158,541 | 2,981,573 | (176,968) | 2,985,275 |
| Excess of revenue over expenditures | 159,809 | 251,304 | 91,495 | 691,697 |
| Other financing sources (uses) | (609,000) | (609,000) | – | (720,796) |
| Net change in fund balances | <u>\$ (449,191)</u> | <u>(357,696)</u> | <u>\$ 91,495</u> | <u>(29,099)</u> |
| Fund balances | | | | |
| Beginning of year | | <u>3,403,648</u> | | <u>3,432,747</u> |
| End of year | | <u>\$ 3,045,952</u> | | <u>\$ 3,403,648</u> |

General Fund Budgetary Highlights – The majority of the City's revenue stream happens twice a year, with the receipt of tax settlement dollars. It is the intent of the City Council to cover revenue downturns with General Fund savings or fund balance monies.

Actual financial results were better than projected, due to lower than anticipated revenue offset by lower than budgeted expenses. Revenues were under budget, mainly in investment earnings (losses), due to market conditions. Expenditures were under budget in general government, due to the City being short staffed during the year. Professional services for planning and zoning were less than budget, due to less development activity than anticipated. Public works also experienced lower than anticipated expenditures, due to lower than budgeted insurance and workers compensation costs.

Other Governmental Funds – The other major funds of the City include the Economic Development Authority Special Revenue Fund; the G.O. Improvement Bonds of 2014A, 2018A, and 2021A Debt Service Funds; and the Bailey Meadows, 12th and 12th Avenue, and City/Fire Hall Capital Projects Funds.

These funds collectively had a decrease in fund balance of \$1,579,135, with most of the decrease occurring in the City/Fire Hall Capital Projects Fund, due to project spending in fiscal 2022.

Proprietary Funds – The City's proprietary funds had a combined net position of \$7,317,373 at December 31, 2022. The financial activities are the same as the business-type information summarized in previous charts within this MD&A. The proprietary funds consist of the Water, Sewer, Street Light, and Storm Sewer Enterprise Funds.

Capital Assets – The City’s investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2022 is as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 3,668,869 | \$ 3,876,908 | \$ 231,753 | \$ 231,753 | \$ 3,900,622 | \$ 4,108,661 |
| Buildings and improvements | 2,320,712 | 2,014,916 | 1,132,987 | 1,132,987 | 3,453,699 | 3,147,903 |
| Machinery and equipment | 635,721 | 578,196 | 2,692,906 | 2,692,906 | 3,328,627 | 3,271,102 |
| Vehicles | 1,718,772 | 1,630,460 | – | – | 1,718,772 | 1,630,460 |
| Infrastructure | 17,265,359 | 17,221,687 | 7,725,310 | 7,725,310 | 24,990,669 | 24,946,997 |
| Construction in progress | 9,954,608 | 7,470,075 | – | – | 9,954,608 | 7,470,075 |
| Total capital assets | 35,564,041 | 32,792,242 | 11,782,956 | 11,782,956 | 47,346,997 | 44,575,198 |
| Accumulated depreciation | (16,469,398) | (15,775,320) | (5,166,767) | (4,798,908) | (21,636,165) | (20,574,228) |
| Total capital assets, net of depreciation | <u>\$ 19,094,643</u> | <u>\$ 17,016,922</u> | <u>\$ 6,616,189</u> | <u>\$ 6,984,048</u> | <u>\$ 25,710,832</u> | <u>\$ 24,000,970</u> |
| Depreciation expense | <u>\$ 823,839</u> | <u>\$ 715,765</u> | <u>\$ 367,859</u> | <u>\$ 347,669</u> | <u>\$ 1,191,698</u> | <u>\$ 1,063,434</u> |

Increases in capital assets was mainly in construction in progress. Additional details of capital asset activity for the year can be found in the notes to basic financial statements.

Long-Term Liabilities – The enterprise funds and governmental debt service funds account for the accumulation of resources to finance all of the City’s general obligation bonds. The revenue sources for these funds include annual tax levies, special assessments, and Water, Sewer, and Storm Sewer Fund revenue. Compensated absences and net pension liabilities are paid for by the General Fund and respective enterprise funds. The following table summarizes the City’s long-term liabilities:

| | 2022 | 2021 |
|--------------------------|----------------------|----------------------|
| Governmental activities | | |
| General obligation bonds | \$ 12,115,000 | \$ 12,930,000 |
| Premiums on debt issued | 354,894 | 386,097 |
| Compensated absences | 104,432 | 152,065 |
| Net pension liability | 728,744 | 396,261 |
| Business-type activities | | |
| General obligation bonds | 2,905,000 | 3,155,000 |
| Premiums on debt issued | 54,494 | 59,182 |
| Net pension liability | 292,940 | 129,006 |
| Total | <u>\$ 16,555,504</u> | <u>\$ 17,207,611</u> |

The City has sufficient funds on hand to make all required bond payments, and anticipates an ongoing stream of revenue to make future bond payments.

Additional details of long-term debt activity for the year can be found in the notes to basic financial statements.

ECONOMIC FACTORS AND OTHER FINANCIAL ANALYSIS

Budget management has been and remains a high priority for the City Council. Efforts to maintain cost constraints include staggering the purchase of capital equipment and negotiating long-term union contracts.

The City will continue to utilize conservative financial budgeting.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in these financial statements or requests for additional information should be addressed by writing to the City of Newport, 596 – 7th Avenue, Newport, Minnesota 55055 or by calling (651) 459-5677.

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BASIC FINANCIAL STATEMENTS

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CITY OF NEWPORT

Statement of Net Position
as of December 31, 2022

| | Governmental Activities | Business-Type Activities | Totals |
|--|----------------------------|-----------------------------|---------------|
| Assets | | | |
| Cash and temporary investments | \$ 10,257,568 | \$ 3,388,653 | \$ 13,646,221 |
| Receivables | | | |
| Accounts | — | 366,926 | 366,926 |
| Accrued interest | 1,126 | — | 1,126 |
| Current taxes | 42,963 | — | 42,963 |
| Due from other governmental units | 5,974 | — | 5,974 |
| Delinquent taxes | 39,565 | — | 39,565 |
| Current special assessments | 1,390 | 496 | 1,886 |
| Delinquent special assessments | 11,267 | 12,652 | 23,919 |
| Deferred special assessments | 499,588 | 186,136 | 685,724 |
| Lease | 2,708,391 | — | 2,708,391 |
| Prepaid items | 234,029 | 28,865 | 262,894 |
| Net pension asset | 153,901 | — | 153,901 |
| Capital assets | | | |
| Not being depreciated | 13,623,477 | 231,753 | 13,855,230 |
| Depreciated, net of accumulated depreciation | 5,471,166 | 6,384,436 | 11,855,602 |
| Total assets | 33,050,405 | 10,599,917 | 43,650,322 |
| Deferred outflows of resources | | | |
| Pension plan deferments | 369,375 | 98,879 | 468,254 |
| Total assets and deferred outflows of resources | \$ 33,419,780 | \$ 10,698,796 | \$ 44,118,576 |
| Liabilities | | | |
| Accounts and contracts payable | \$ 227,900 | \$ 39,073 | \$ 266,973 |
| Salaries payable | 15,412 | 39,730 | 55,142 |
| Accrued interest payable | 118,173 | 28,460 | 146,633 |
| Due to other governmental units | 471,466 | — | 471,466 |
| Unearned revenue | 357,720 | 17,722 | 375,442 |
| Long-term liabilities | | | |
| Due within one year | 924,563 | 245,000 | 1,169,563 |
| Due in more than one year | 11,649,763 | 2,714,494 | 14,364,257 |
| Net pension liability – due in more than one year | 728,744 | 292,940 | 1,021,684 |
| Total liabilities | 14,493,741 | 3,377,419 | 17,871,160 |
| Deferred inflows of resources | | | |
| Lease revenue for subsequent years | 2,708,391 | — | 2,708,391 |
| Pension plan deferments | 151,968 | 4,004 | 155,972 |
| Total deferred inflows of resources | 2,860,359 | 4,004 | 2,864,363 |
| Net position | | | |
| Net investment in capital assets | 6,713,513 | 3,656,695 | 10,370,208 |
| Restricted for | | | |
| Debt service | 2,049,186 | — | 2,049,186 |
| Net pension asset | 135,291 | — | 135,291 |
| Economic development | 2,269,177 | — | 2,269,177 |
| Other purposes | 79,329 | — | 79,329 |
| Unrestricted | 4,819,184 | 3,660,678 | 8,479,862 |
| Total net position | 16,065,680 | 7,317,373 | 23,383,053 |
| Total liabilities, deferred inflows of resources, and net position | \$ 33,419,780 | \$ 10,698,796 | \$ 44,118,576 |

CITY OF NEWPORT

Statement of Activities
Year Ended December 31, 2022

| Functions/Programs | Expenses | Program Revenues | |
|--|--------------|-------------------------|--|
| | | Charges for Services | Operating Grants and Contributions |
| Governmental activities | | | |
| General government | \$ 1,049,353 | \$ 275,852 | \$ 50,042 |
| Public safety | 1,159,496 | 64,972 | 34,577 |
| Public works | 1,275,975 | — | — |
| Parks and recreation | 471,974 | 100 | 25,448 |
| Economic development | 3,234 | — | — |
| Interest and fiscal charges | 315,357 | — | — |
| Total governmental activities | 4,275,389 | 340,924 | 110,067 |
| Business-type activities | | | |
| Water | 629,756 | 542,326 | 569 |
| Sewer | 805,470 | 900,102 | 563 |
| Street Light | 67,519 | 89,905 | — |
| Storm Sewer | 182,857 | 186,962 | 154 |
| Total business-type activities | 1,685,602 | 1,719,295 | 1,286 |
| Total governmental and business-type activities | \$ 5,960,991 | \$ 2,060,219 | \$ 111,353 |
| General revenues | | | |
| Property taxes | | | |
| General grants and contributions | | | |
| Other general revenues | | | |
| Investment earnings (charges) | | | |
| Gain on sale of assets | | | |
| Transfers | | | |
| Total general revenues and transfers | | | |
| Change in net position | | | |
| Net position – beginning | | | |
| Net position – ending | | | |

| Net (Expenses) | | | |
|--|----------------------------|-----------------------------|-------------------|
| Revenue and Changes in Net Position | | | |
| Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| \$ — | \$ (723,459) | \$ — | \$ (723,459) |
| — | (1,059,947) | — | (1,059,947) |
| 28,090 | (1,247,885) | — | (1,247,885) |
| — | (446,426) | — | (446,426) |
| — | (3,234) | — | (3,234) |
| — | (315,357) | — | (315,357) |
| 28,090 | (3,796,308) | — | (3,796,308) |
| — | — | (86,861) | (86,861) |
| — | — | 95,195 | 95,195 |
| — | — | 22,386 | 22,386 |
| 18,029 | — | 22,288 | 22,288 |
| 18,029 | — | 53,008 | 53,008 |
| <u>\$ 46,119</u> | (3,796,308) | 53,008 | (3,743,300) |
| | 3,301,804 | — | 3,301,804 |
| | 508,138 | — | 508,138 |
| | 119,813 | 550 | 120,363 |
| | (187,294) | (81,992) | (269,286) |
| | 212,730 | — | 212,730 |
| | 1,125,271 | (1,125,271) | — |
| | <u>5,080,462</u> | <u>(1,206,713)</u> | <u>3,873,749</u> |
| | 1,284,154 | (1,153,705) | 130,449 |
| | <u>14,781,526</u> | <u>8,471,078</u> | <u>23,252,604</u> |
| <u>\$ 16,065,680</u> | <u>\$ 7,317,373</u> | <u>\$ 23,383,053</u> | |

CITY OF NEWPORT

Balance Sheet
Governmental Funds
as of December 31, 2022

| | | Special Revenue | Debt Service | |
|---|---------------------|---------------------|-------------------|-------------------|
| | | Economic | G.O. | G.O. |
| | General Fund | Development | Improvement | Improvement |
| | | Authority | Bonds of | Bonds of |
| | | | 2014A | 2018A |
| Assets | | | | |
| Cash and temporary investments | \$ 3,578,878 | \$ 2,271,758 | \$ 678,127 | \$ 233,568 |
| Receivables | | | | |
| Accrued interest | 1,126 | — | — | — |
| Current taxes | 29,529 | — | 1,994 | 3,538 |
| Due from other governmental units | 5,974 | — | — | — |
| Due from other funds | 28,817 | — | — | — |
| Delinquent taxes | 39,565 | — | — | — |
| Current special assessments | — | — | 289 | — |
| Delinquent special assessments | — | — | 2,289 | 2,109 |
| Deferred special assessments | 4,770 | — | 103,247 | 58,389 |
| Lease | 2,708,391 | — | — | — |
| Prepaid items | 1,029 | — | — | — |
| Total assets | <u>\$ 6,398,079</u> | <u>\$ 2,271,758</u> | <u>\$ 785,946</u> | <u>\$ 297,604</u> |
| Liabilities | | | | |
| Accounts and contracts payable | \$ 112,523 | \$ 2,581 | \$ — | \$ — |
| Salaries payable | 15,412 | — | — | — |
| Due to other governmental units | 471,466 | — | — | — |
| Due to other funds | — | — | — | — |
| Unearned revenue | — | — | — | — |
| Total liabilities | <u>599,401</u> | <u>2,581</u> | <u>—</u> | <u>—</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue – taxes | 39,565 | — | — | — |
| Lease revenue for subsequent years | 2,708,391 | — | — | — |
| Unavailable revenue – special assessments | 4,770 | — | 105,536 | 60,498 |
| Total deferred inflows of resources | <u>2,752,726</u> | <u>—</u> | <u>105,536</u> | <u>60,498</u> |
| Fund balances (deficit) | | | | |
| Nonspendable | 1,029 | — | — | — |
| Restricted | — | 2,269,177 | 680,410 | 237,106 |
| Assigned | 648,562 | — | — | — |
| Unassigned | 2,396,361 | — | — | — |
| Total fund balances (deficit) | <u>3,045,952</u> | <u>2,269,177</u> | <u>680,410</u> | <u>237,106</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 6,398,079</u> | <u>\$ 2,271,758</u> | <u>\$ 785,946</u> | <u>\$ 297,604</u> |

| G.O. Improvement Bonds of 2021A Streets | G.O. Improvement Bonds of 2021A City Hall | Capital Projects | | | Nonmajor Funds | Totals |
|--|--|-------------------|-------------------------|------------------|---------------------|----------------------|
| | | Bailey Meadows | 12th and 12th Avenue | City/Fire Hall | | |
| \$ 248,258 | \$ 294,699 | \$ 88,764 | \$ 36,917 | \$ 86,629 | \$ 2,739,970 | \$ 10,257,568 |
| — | — | — | — | — | — | 1,126 |
| — | 7,632 | — | — | — | 270 | 42,963 |
| — | — | — | — | — | — | 5,974 |
| — | — | — | — | — | — | 28,817 |
| — | — | — | — | — | — | 39,565 |
| 1,101 | — | — | — | — | — | 1,390 |
| 4,552 | — | — | — | — | 2,317 | 11,267 |
| 285,056 | — | — | — | — | 48,126 | 499,588 |
| — | — | — | — | — | — | 2,708,391 |
| — | — | — | — | — | 233,000 | 234,029 |
| <u>\$ 538,967</u> | <u>\$ 302,331</u> | <u>\$ 88,764</u> | <u>\$ 36,917</u> | <u>\$ 86,629</u> | <u>\$ 3,023,683</u> | <u>\$ 13,830,678</u> |
| \$ — | \$ — | \$ — | \$ 240 | \$ 109,156 | \$ 3,400 | \$ 227,900 |
| — | — | — | — | — | — | 15,412 |
| — | — | — | — | — | — | 471,466 |
| — | — | — | — | — | 28,817 | 28,817 |
| — | — | — | — | — | 357,720 | 357,720 |
| — | — | — | 240 | 109,156 | 389,937 | 1,101,315 |
| — | — | — | — | — | — | 39,565 |
| — | — | — | — | — | — | 2,708,391 |
| 289,608 | — | — | — | — | 50,443 | 510,855 |
| 289,608 | — | — | — | — | 50,443 | 3,258,811 |
| — | — | — | — | — | 233,000 | 234,029 |
| 249,359 | 302,331 | 88,764 | — | — | 271,397 | 4,098,544 |
| — | — | — | 36,677 | — | 2,107,723 | 2,792,962 |
| — | — | — | — | (22,527) | (28,817) | 2,345,017 |
| <u>249,359</u> | <u>302,331</u> | <u>88,764</u> | <u>36,677</u> | <u>(22,527)</u> | <u>2,583,303</u> | <u>9,470,552</u> |
| <u>\$ 538,967</u> | <u>\$ 302,331</u> | <u>\$ 88,764</u> | <u>\$ 36,917</u> | <u>\$ 86,629</u> | <u>\$ 3,023,683</u> | <u>\$ 13,830,678</u> |

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CITY OF NEWPORT

Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of December 31, 2022

| | |
|--|--------------|
| Total fund balances – governmental funds | \$ 9,470,552 |
|--|--------------|

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

Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.

| | |
|-------------------------------|--------------|
| Cost of capital assets | 35,564,041 |
| Less accumulated depreciation | (16,469,398) |

Long-term liabilities and net pension liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.

| | |
|----------------------------------|--------------|
| General obligation bonds payable | (12,115,000) |
| Premiums on debt issued | (354,894) |
| Compensated absences payable | (104,432) |
| Net pension liability | (728,744) |

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

| | |
|--|-----------|
| Delinquent property taxes | 39,565 |
| Special assessments | 510,855 |
| Net pension asset | 153,901 |
| Deferred outflows of resources – pension plan deferments | 369,375 |
| Deferred inflows of resources – pension plan deferments | (151,968) |

Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.

| |
|-----------|
| (118,173) |
|-----------|

| | |
|--|---------------|
| Total net position – governmental activities | \$ 16,065,680 |
|--|---------------|

CITY OF NEWPORT

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

| | | Special Revenue | Debt Service | |
|---|--------------|-----------------|--------------|-------------|
| | | Economic | G.O. | G.O. |
| | | Development | Improvement | Improvement |
| | General Fund | Authority | Bonds of | Bonds of |
| | | | 2014A | 2018A |
| Revenue | | | | |
| Property taxes | \$ 2,303,894 | \$ — | \$ 150,833 | \$ 267,656 |
| Licenses and permits | 138,164 | — | — | — |
| Special assessments | — | — | 59,951 | 6,873 |
| Intergovernmental | 558,575 | — | — | — |
| Fines and forfeits | 31,366 | — | — | — |
| Charges for services | 271,436 | — | — | — |
| Investment earnings (charges) | (74,942) | (60,054) | (17,047) | 43 |
| Miscellaneous | 4,384 | — | — | — |
| Total revenue | 3,232,877 | (60,054) | 193,737 | 274,572 |
| Expenditures | | | | |
| Current | | | | |
| General government | 982,426 | — | — | — |
| Public safety | 1,096,143 | — | — | — |
| Public works | 447,162 | — | — | — |
| Parks and recreation | 452,022 | — | — | — |
| Economic development | — | 3,234 | — | — |
| Capital outlay | 3,820 | — | — | — |
| Debt service | | | | |
| Principal retirement | — | — | 165,000 | 170,000 |
| Interest and fiscal charges | — | — | 39,088 | 92,881 |
| Total expenditures | 2,981,573 | 3,234 | 204,088 | 262,881 |
| Excess (deficiency) of revenue over expenditures | 251,304 | (63,288) | (10,351) | 11,691 |
| Other financing sources (uses) | | | | |
| Sale of capital assets | — | 150,000 | — | — |
| Transfers in | — | — | — | — |
| Transfers (out) | (609,000) | (85,000) | — | — |
| Total other financing sources (uses) | (609,000) | 65,000 | — | — |
| Net change in fund balances | (357,696) | 1,712 | (10,351) | 11,691 |
| Fund balances (deficit) | | | | |
| Beginning of year | 3,403,648 | 2,267,465 | 690,761 | 225,415 |
| End of year | \$ 3,045,952 | \$ 2,269,177 | \$ 680,410 | \$ 237,106 |

| G.O. Improvement Bonds of 2021A Streets | G.O. Improvement Bonds of 2021A City Hall | Capital Projects | | | Nonmajor Funds | Totals |
|--|--|-------------------|-------------------------|----------------|----------------|--------------|
| | | Bailey Meadows | 12th and 12th Avenue | City/Fire Hall | | |
| \$ - | \$ 577,313 | \$ - | \$ - | \$ - | \$ 20,409 | \$ 3,320,105 |
| - | - | - | - | - | - | 138,164 |
| 44,179 | - | 7,221 | - | - | 25,502 | 143,726 |
| - | - | - | - | - | 56,433 | 615,008 |
| - | - | - | - | - | - | 31,366 |
| - | - | - | - | - | - | 271,436 |
| 42 | 987 | (2,664) | 17 | 2,539 | (36,215) | (187,294) |
| - | - | - | - | - | 15,387 | 19,771 |
| 44,221 | 578,300 | 4,557 | 17 | 2,539 | 81,516 | 4,352,282 |
| | | | | | | |
| - | - | - | - | - | 68,622 | 1,051,048 |
| - | - | - | - | - | - | 1,096,143 |
| - | - | - | - | - | - | 447,162 |
| - | - | - | - | - | - | 452,022 |
| - | - | - | - | - | - | 3,234 |
| - | - | - | (3,879) | 2,694,884 | 508,317 | 3,203,142 |
| - | 440,000 | - | - | - | 40,000 | 815,000 |
| - | 206,087 | - | - | - | 8,870 | 346,926 |
| - | 646,087 | - | (3,879) | 2,694,884 | 625,809 | 7,414,677 |
| | | | | | | |
| 44,221 | (67,787) | 4,557 | 3,896 | (2,692,345) | (544,293) | (3,062,395) |
| | | | | | | |
| - | - | - | - | - | 280,000 | 430,000 |
| - | - | - | 1,125,271 | - | 694,000 | 1,819,271 |
| - | - | - | - | - | - | (694,000) |
| - | - | - | 1,125,271 | - | 974,000 | 1,555,271 |
| | | | | | | |
| 44,221 | (67,787) | 4,557 | 1,129,167 | (2,692,345) | 429,707 | (1,507,124) |
| | | | | | | |
| 205,138 | 370,118 | 84,207 | (1,092,490) | 2,669,818 | 2,153,596 | 10,977,676 |
| \$ 249,359 | \$ 302,331 | \$ 88,764 | \$ 36,677 | \$ (22,527) | \$ 2,583,303 | \$ 9,470,552 |

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CITY OF NEWPORT

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities Governmental Funds Year Ended December 31, 2022

| | |
|--|----------------|
| Total net change in fund balances – governmental funds | \$ (1,507,124) |
|--|----------------|

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

Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.

| | |
|----------------------|-----------|
| Capital outlays | 3,118,830 |
| Depreciation expense | (823,839) |

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.

(217,270)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.

| | |
|------------------------------|---------|
| Principal payments | 815,000 |
| Amortization of bond premium | 31,203 |

Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.

366

Certain expenses are included in the change in net position, but do not require the use of current financial resources and are not reported as expenditures in governmental funds until actually due.

| | |
|-----------------------|-----------|
| Compensated absences | 47,633 |
| Net pension asset | (206,021) |
| Net pension liability | (332,483) |

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

| | |
|--|-----------|
| Delinquent property taxes | (18,301) |
| Special assessments | (115,636) |
| Deferred outflows of resources – pension plan deferments | 27,378 |
| Deferred inflows of resources – pension plan deferments | 464,418 |

| | |
|--|---------------------|
| Change in net position – governmental activities | <u>\$ 1,284,154</u> |
|--|---------------------|

CITY OF NEWPORT

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2022

| | Original and Final Budget | Actual | Over (Under) Final Budget |
|-------------------------------------|------------------------------|--------------|------------------------------|
| Revenue | | | |
| Property taxes | \$ 2,261,427 | \$ 2,303,894 | \$ 42,467 |
| Licenses and permits | 139,850 | 138,164 | (1,686) |
| Intergovernmental | 552,195 | 558,575 | 6,380 |
| Fines and forfeits | 25,250 | 31,366 | 6,116 |
| Charges for services | 268,128 | 271,436 | 3,308 |
| Investment earnings (charges) | 20,000 | (74,942) | (94,942) |
| Miscellaneous | 51,500 | 4,384 | (47,116) |
| Total revenue | 3,318,350 | 3,232,877 | (85,473) |
| Expenditures | | | |
| Current | | | |
| General government | 1,065,632 | 982,426 | (83,206) |
| Public safety | 1,115,904 | 1,096,143 | (19,761) |
| Public works | 488,620 | 447,162 | (41,458) |
| Parks and recreation | 453,685 | 452,022 | (1,663) |
| Capital outlay | 34,700 | 3,820 | (30,880) |
| Total expenditures | 3,158,541 | 2,981,573 | (176,968) |
| Excess of revenue over expenditures | 159,809 | 251,304 | 91,495 |
| Other financing (uses) | | | |
| Transfers (out) | (609,000) | (609,000) | — |
| Net change in fund balances | \$ (449,191) | (357,696) | \$ 91,495 |
| Fund balances | | | |
| Beginning of year | | 3,403,648 | |
| End of year | | \$ 3,045,952 | |

CITY OF NEWPORT

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Economic Development Authority Special Revenue Fund
Year Ended December 31, 2022

| | Original and Final Budget | Actual | Over (Under) Final Budget |
|---|------------------------------|--------------|------------------------------|
| Revenue | | | |
| Investment earnings (charges) | \$ 35,000 | \$ (60,054) | \$ (95,054) |
| Expenditures | | | |
| Current | | | |
| Economic development | 55,000 | 3,234 | (51,766) |
| Excess (deficiency) of revenue over expenditures | (20,000) | (63,288) | (43,288) |
| Other financing sources (uses) | | | |
| Sale of capital assets | 300,000 | 150,000 | (150,000) |
| Transfers (out) | (85,000) | (85,000) | — |
| Total other financing sources (uses) | 215,000 | 65,000 | (150,000) |
| Net change in fund balances | \$ 195,000 | 1,712 | \$ (193,288) |
| Fund balances | | | |
| Beginning of year | | 2,267,465 | |
| End of year | | \$ 2,269,177 | |

CITY OF NEWPORT

Statement of Net Position
Proprietary Funds
as of December 31, 2022

| | Business-Type Activities – Enterprise Funds | | | | |
|---|---|--------------|--------------|-------------|---------------|
| | Water | Sewer | Street Light | Storm Sewer | Total |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and temporary investments | \$ 1,148,823 | \$ 1,731,842 | \$ 264,960 | \$ 243,028 | \$ 3,388,653 |
| Receivables | | | | | |
| Accounts | 108,147 | 197,424 | 21,489 | 39,866 | 366,926 |
| Current special assessments | – | 496 | – | – | 496 |
| Delinquent special assessments | 6,326 | 6,326 | – | – | 12,652 |
| Deferred special assessments | 38,964 | 38,965 | – | 108,207 | 186,136 |
| Prepaid items | – | 28,865 | – | – | 28,865 |
| Total current assets | 1,302,260 | 2,003,918 | 286,449 | 391,101 | 3,983,728 |
| Capital assets | | | | | |
| Land | 231,753 | – | – | – | 231,753 |
| Buildings and improvements | 715,817 | 417,170 | – | – | 1,132,987 |
| Machinery and equipment | 1,545,916 | 770,270 | – | 376,720 | 2,692,906 |
| Infrastructure | 4,353,510 | 3,356,937 | – | 14,863 | 7,725,310 |
| | 6,846,996 | 4,544,377 | – | 391,583 | 11,782,956 |
| Less accumulated depreciation | 2,919,014 | 2,085,763 | – | 161,990 | 5,166,767 |
| Net capital assets | 3,927,982 | 2,458,614 | – | 229,593 | 6,616,189 |
| Total assets | 5,230,242 | 4,462,532 | 286,449 | 620,694 | 10,599,917 |
| Deferred outflows of resources | | | | | |
| Pension plan deferments | 43,760 | 43,306 | – | 11,813 | 98,879 |
| Total assets and deferred outflows of resources | \$ 5,274,002 | \$ 4,505,838 | \$ 286,449 | \$ 632,507 | \$ 10,698,796 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 12,219 | \$ 1,052 | \$ 41 | \$ 25,761 | \$ 39,073 |
| Salaries payable | 19,377 | 19,545 | 334 | 474 | 39,730 |
| Accrued interest payable | 13,708 | 10,743 | – | 4,009 | 28,460 |
| Unearned revenue | 17,722 | – | – | – | 17,722 |
| Long-term liabilities – current | 110,840 | 95,160 | – | 39,000 | 245,000 |
| Total current liabilities | 173,866 | 126,500 | 375 | 69,244 | 369,985 |
| Long-term liabilities | | | | | |
| Net pension liability | 129,644 | 128,298 | – | 34,998 | 292,940 |
| Other long-term liabilities | 1,282,991 | 992,652 | – | 438,851 | 2,714,494 |
| Total long-term liabilities | 1,412,635 | 1,120,950 | – | 473,849 | 3,007,434 |
| Total liabilities | 1,586,501 | 1,247,450 | 375 | 543,093 | 3,377,419 |
| Deferred inflows of resources | | | | | |
| Pension plan deferments | 1,772 | 1,754 | – | 478 | 4,004 |
| Net position | | | | | |
| Net investment in capital assets | 2,534,151 | 1,370,802 | – | (248,258) | 3,656,695 |
| Unrestricted | 1,151,578 | 1,885,832 | 286,074 | 337,194 | 3,660,678 |
| Total net position | 3,685,729 | 3,256,634 | 286,074 | 88,936 | 7,317,373 |
| Total liabilities, deferred inflows of resources, and net position | \$ 5,274,002 | \$ 4,505,838 | \$ 286,449 | \$ 632,507 | \$ 10,698,796 |

See notes to basic financial statements

CITY OF NEWPORT

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2022

| | Business-Type Activities – Enterprise Funds | | | | |
|--|---|--------------|--------------|-------------|--------------|
| | Water | Sewer | Street Light | Storm Sewer | Total |
| Operating revenue | | | | | |
| Water sales | \$ 530,168 | \$ – | \$ – | \$ – | \$ 530,168 |
| Sewer charges | – | 859,493 | – | – | 859,493 |
| Street light charges | – | – | 89,905 | – | 89,905 |
| Storm sewer charges | – | – | – | 186,962 | 186,962 |
| Water and sewer access charges | 11,200 | 39,195 | – | – | 50,395 |
| Permits and licenses | 958 | 1,414 | – | – | 2,372 |
| Other | 550 | – | – | – | 550 |
| Total operating revenue | 542,876 | 900,102 | 89,905 | 186,962 | 1,719,845 |
| Operating expenses | | | | | |
| Salaries | 116,148 | 115,058 | 12,520 | 18,650 | 262,376 |
| Employee benefits | 42,907 | 38,898 | 1,860 | 12,204 | 95,869 |
| Metropolitan Council Environmental | | | | | |
| Services sewer charges | – | 384,972 | – | – | 384,972 |
| Insurance | 18,380 | 17,984 | 2,590 | 4,102 | 43,056 |
| Professional services | – | – | – | 94,529 | 94,529 |
| Supplies | 27,937 | 10,394 | – | – | 38,331 |
| Utilities | 60,051 | 9,953 | 50,549 | – | 120,553 |
| Depreciation | 212,395 | 133,522 | – | 21,942 | 367,859 |
| Other | 117,093 | 69,720 | – | 20,743 | 207,556 |
| Total operating expenses | 594,911 | 780,501 | 67,519 | 172,170 | 1,615,101 |
| Operating income (loss) | (52,035) | 119,601 | 22,386 | 14,792 | 104,744 |
| Nonoperating revenue (expense) | | | | | |
| State grant and aids | 569 | 563 | – | 154 | 1,286 |
| Investment earnings (losses) | (31,625) | (43,200) | (4,763) | (2,404) | (81,992) |
| Interest and fiscal charges | (34,845) | (24,969) | – | (10,687) | (70,501) |
| Total nonoperating revenue (expense) | (65,901) | (67,606) | (4,763) | (12,937) | (151,207) |
| Income (loss) before special assessments and transfers | (117,936) | 51,995 | 17,623 | 1,855 | (46,463) |
| Special assessments | – | – | – | 18,029 | 18,029 |
| Transfers (out) | (454,006) | (389,514) | – | (281,751) | (1,125,271) |
| Change in net position | (571,942) | (337,519) | 17,623 | (261,867) | (1,153,705) |
| Net position | | | | | |
| Beginning of year | 4,257,671 | 3,594,153 | 268,451 | 350,803 | 8,471,078 |
| End of year | \$ 3,685,729 | \$ 3,256,634 | \$ 286,074 | \$ 88,936 | \$ 7,317,373 |

See notes to basic financial statements

CITY OF NEWPORT

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

| | Business-Type Activities – Enterprise Funds | | | | |
|--|---|---------------------|-------------------|-------------------|---------------------|
| | Water | Sewer | Street Light | Storm Sewer | Total |
| Cash flows from operating activities | | | | | |
| Cash received from customers | \$ 536,503 | \$ 876,201 | \$ 89,462 | \$ 201,369 | \$ 1,703,535 |
| Cash paid to suppliers | (210,699) | (499,626) | (52,920) | (103,280) | (866,525) |
| Cash paid to employees | (137,216) | (132,274) | (14,309) | (21,452) | (305,251) |
| Net cash provided by operating activities | 188,588 | 244,301 | 22,233 | 76,637 | 531,759 |
| Cash flows from noncapital financing activities | | | | | |
| State grants and aids | 569 | 563 | – | 154 | 1,286 |
| Cash flows from noncapital and related financing activities | | | | | |
| Special assessments | – | – | – | 18,029 | 18,029 |
| Transfers in | (454,006) | (389,514) | – | (281,751) | (1,125,271) |
| Principal paid on debt | (111,395) | (101,605) | – | (37,000) | (250,000) |
| Interest and fiscal charges paid on debt | (37,228) | (29,734) | – | (12,516) | (79,478) |
| Net cash provided (used) by capital financing activities | (602,629) | (520,853) | – | (313,238) | (1,436,720) |
| Cash flows from investing activities | | | | | |
| Interest received (paid) | (31,625) | (43,200) | (4,763) | (2,404) | (81,992) |
| Net change in cash and cash equivalents | (445,097) | (319,189) | 17,470 | (238,851) | (985,667) |
| Cash and cash equivalents | | | | | |
| Beginning of year | 1,593,920 | 2,051,031 | 247,490 | 481,879 | 4,374,320 |
| End of year | <u>\$ 1,148,823</u> | <u>\$ 1,731,842</u> | <u>\$ 264,960</u> | <u>\$ 243,028</u> | <u>\$ 3,388,653</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ (52,035) | \$ 119,601 | \$ 22,386 | \$ 14,792 | \$ 104,744 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Depreciation | 212,395 | 133,522 | – | 21,942 | 367,859 |
| Change in assets and deferred outflows of resources | | | | | |
| Accounts receivable | (4,148) | (16,446) | (443) | (1,230) | (22,267) |
| Special assessments receivable | (6,958) | (7,455) | – | 15,637 | 1,224 |
| Prepaid items | 1,812 | 2,517 | 178 | 263 | 4,770 |
| Deferred outflows of resources | 2,034 | 2,364 | – | (1,861) | 2,537 |
| Change in liabilities and deferred inflows of resources | | | | | |
| Accounts payable | 10,950 | 721 | 41 | 16,006 | 27,718 |
| Salaries payable | 371 | 946 | 71 | 122 | 1,510 |
| Due to other governmental units | – | (9,841) | – | (175) | (10,016) |
| Unearned revenue | 4,733 | – | – | – | 4,733 |
| Net pension liability | 71,392 | 70,203 | – | 22,339 | 163,934 |
| Deferred inflows of resources | (51,958) | (51,831) | – | (11,198) | (114,987) |
| Net cash provided by operating activities | <u>\$ 188,588</u> | <u>\$ 244,301</u> | <u>\$ 22,233</u> | <u>\$ 76,637</u> | <u>\$ 531,759</u> |
| Noncash investing, capital, and financing activities | | | | | |
| Net amortization of bond premium | \$ 1,406 | \$ 2,344 | \$ – | \$ 938 | \$ 4,688 |

See notes to basic financial statements

CITY OF NEWPORT

Notes to Basic Financial Statements December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Newport, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes, Chapter 412. Under this plan, the government of the City is run by a council composed of an elected mayor and four councilmembers. The City Council exercises legislative authority and determines all matters of policy.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

The Newport Economic Development Authority (EDA) is fiscally dependent upon the City and its governing body consists of City Council members. The City Council directs the activities of the EDA’s management. Therefore, the EDA is included as a component unit of the City. The EDA’s financial data has been blended with that of the City (reported as though its funds were funds of the City).

C. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally-directed revenues are reported as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied, while special assessments are recognized when certified. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days after year-end.

Major revenue that is susceptible to accrual includes property taxes, intergovernmental revenue, charges for services, and interest earned on investments. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, and net pension liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Economic Development Authority Special Revenue Fund – This fund is used to account for the financial resources of the EDA.

G.O. Improvement Bonds of 2014A Debt Service Fund – This fund is used to account for the financial resources for the 2014 general obligation improvement bonds.

G.O. Improvement Bonds of 2018A Debt Service Fund – This fund is used to account for the financial resources for the 2018 general obligation improvement bonds.

G.O. Improvement Bonds of 2021A Streets and City Hall Debt Service Funds – These funds will be used to account for the financial resources for the general obligation bonds related to these projects.

Bailey Meadows Capital Projects Fund – This fund is used to account for the financial resources for the City's Bailey Meadows construction projects.

12th and 12th Avenue Capital Projects Fund – This fund is used to account for the financial resources for the City's 12th and 12th Avenue construction projects.

City/Fire Hall Capital Projects Fund – This fund is used to account for the financial resources for the City's City/Fire Hall construction project.

The City reports the following major proprietary funds:

Water Enterprise Fund – The Water Enterprise Fund is used to account for the operation, maintenance, and improvement of the City's water utility system.

Sewer Enterprise Fund – The Sewer Enterprise Fund is used to account for the operation, maintenance, and improvement of the City's sewer utility system.

Street Light Enterprise Fund – The Street Light Enterprise Fund is used to account for the operation, maintenance, and improvement of the City's street light utility system.

Storm Sewer Enterprise Fund – The Storm Sewer Enterprise Fund is used to account for the operation, maintenance, and improvement of the City's storm sewer utility system.

E. Cash and Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

See Note 2 for the City's recurring fair value measurements as of year-end.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. All receivables are expected to be collected within one year with the exception of lease receivable, property tax receivable, and deferred special assessments.

G. Property Taxes

Property tax levies are set by the City Council by December of each year, and are certified to Washington County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts several times a year.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

H. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. The City is generally able to certify delinquent amounts to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by deferred inflows of resources in the governmental fund financial statements. These assessments are also recorded as delinquent (levied, but unremitted) or deferred (certified, but not yet levied) special assessments receivable.

I. Prepaid Items

The inventories of the City's proprietary funds are recorded in prepaid items at the lower of cost or market on the first-in, first-out basis. Prepaid items in all funds are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets, which include property, buildings, equipment, and improvements (infrastructure assets, such as roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. Useful lives vary from 10 to 50 years for buildings and improvements; 4 to 20 years for machinery, equipment, and vehicles; and 10 to 65 years for infrastructure.

The City has chosen to report infrastructure beginning with capital assets acquired after 1980. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

K. Compensated Absences Payable

All employees of the City are eligible for certain severance benefits. The severance calculation is dependent upon employee type, as well as years of service. Nonunion employees receive severance pay for unused vacation days and one-half of their unused sick leave benefits to a maximum of 60 days of additional severance pay. Severance pay for all full-time employees who are members of the International Union of Operating Engineers, Local 49, AFL-CIO, are paid in accordance with the terms of their contract. These compensated absences are paid to an employee leaving in good standing, at their current rate of pay, by the governmental or proprietary fund that paid the largest portion of the employee's salary. The amount of severance that is based on convertible sick leave is recorded as a liability in the government-wide financial statements and proprietary funds as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental funds financial statements only when it becomes due and payable.

L. Other Post-Employment Benefits

Under Minnesota Statutes § 471.61, Subd. 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored healthcare plan, under the following conditions: 1) retirees must be receiving (or be eligible to receive) an annuity from a Minnesota public pension plan; 2) coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium; and 3) retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was considered immaterial at year-end.

M. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If they are material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the governmental fund financial statements, long-term debt and other long-term obligations are not reported as liabilities until due and payable. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. Deferred Outflows/Inflows of Resources

In addition to assets, a statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings on pension plan investments, changes in proportion, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, a statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items which qualify for reporting in this category.

The first item, unavailable revenue, arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to pensions, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from differences between expected and actual economic experience, changes in actuarial assumptions, changes in proportion, and net collective difference between projected and actual investment earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

The City also reports deferred inflows of resources related to lease receivables, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rational manner over the term of the lease.

O. State-Wide and Fire Relief Pension Plans

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Interfund Receivables and Payables

In the fund financial statements, activity between funds that are representative of lending or borrowing arrangements are reported as “due to/from other funds.”

Q. Net Position

In the government-wide and proprietary fund financial statements, net position represents the differences between assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is displayed in three components:

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

R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Budgets and Budgetary Accounting

Budget amounts are presented on the modified accrual basis of accounting. Each fall, the City Council adopts a General Fund and Economic Development Authority Special Revenue Fund budget for the following fiscal year beginning January 1. The City has established budgetary control at the fund level. Budget appropriations lapse at year-end.

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalent. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

U. 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; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverage. The LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in the current year.

V. Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

W. Change in Accounting Principle

During the year ended December 31, 2022, the City implemented GASB Statement No. 87, *Leases*. This statement included major changes in recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of the new GASB statement in the current year resulted in no restatement of net position as of December 31, 2022. See Note 3 for additional details on this change in the current year.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

| | |
|--------------|-----------------------------|
| Deposits | \$ 4,619,960 |
| Investments | 9,026,186 |
| Cash on hand | <u>75</u> |
| Total | <u><u>\$ 13,646,221</u></u> |

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City’s investment policy addresses this risk. It states that the City will minimize deposit custodial risk by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

At year-end, the carrying amount of the City’s deposits was \$4,619,960, while the balance on the bank records was \$4,683,281. At December 31, 2022, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

| Investment Type | Credit Risk | | Fair Value Measurements Using | Interest Risk – Maturity Duration in Years | | | | Total |
|---------------------------------------|-------------|---------|-------------------------------------|---|-------------|--------------|----------------|---------------------|
| | Rating | Agency | | No Maturity | Less Than 1 | 1 to 5 | Greater Than 5 | |
| Negotiable certificates of deposit | N/R | N/A | Level 2 | \$ – | \$ 782,560 | \$ 1,708,419 | \$ – | \$ 2,490,978 |
| U.S. treasuries | AA | S&P | Level 2 | \$ – | \$ 29,905 | \$ 1,187,359 | \$ – | 1,217,264 |
| U.S. agency securities | AA | S&P | Level 2 | \$ – | \$ 410,407 | \$ 1,511,056 | \$ 243,641 | 2,165,104 |
| State and local bonds (G.O. bonds) | AAA | S&P | Level 2 | \$ – | \$ 15,185 | \$ – | \$ – | 15,185 |
| State and local bonds (G.O. bonds) | Aaa | Moody's | Level 2 | \$ – | \$ 30,491 | \$ 189,277 | \$ – | 219,768 |
| State and local bonds (G.O. bonds) | A | S&P | Level 2 | \$ – | \$ 512,019 | \$ – | \$ – | 512,019 |
| State and local bonds (G.O. bonds) | Aa | Moody's | Level 2 | \$ – | \$ 50,494 | \$ 490,589 | \$ 172,026 | 713,109 |
| State and local bonds (G.O. bonds) | AA | S&P | Level 2 | \$ – | \$ 196,382 | \$ 220,313 | \$ 104,013 | 520,708 |
| State and local bonds (revenue bonds) | AA | S&P | Level 2 | \$ – | \$ 700,855 | \$ 203,994 | \$ 27,957 | 932,806 |
| State and local bonds (revenue bonds) | AAA | S&P | Level 2 | \$ – | \$ – | \$ 10,011 | \$ – | 10,011 |
| State and local bonds (revenue bonds) | Aa | Moody's | Level 2 | \$ – | \$ 40,779 | \$ 177,016 | \$ – | 217,795 |
| Investment pools/ mutual fund | AAA | S&P | Level 2 | \$ 60 | \$ – | \$ – | \$ – | 60 |
| Investment pools/ mutual fund | AAA | S&P | Level 1 | \$ 11,379 | \$ – | \$ – | \$ – | 11,379 |
| Total investments | | | | | | | | <u>\$ 9,026,186</u> |

N/R – Not Rated

N/A – Not Applicable

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer), the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy addresses credit risk. It states the City will minimize custodial credit risk by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City's investment policy addresses this risk. It states that designated depositories shall have insurance through the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. To ensure safety, it is the policy of the City that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the City Council will approve all financial institutions, brokers, and advisors with which the City will do business.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy addresses concentration risk. It states the City’s investments shall be diversified as to specific maturity, issuer, and institution in order to minimize risk to the portfolio. Investments should be purchased to match expected cash flow needs, minimizing the market risk associated with the early sale of investments. Investments beyond two years should be related to debt payments, or other known expenditures. Up to 20.0 percent of the portfolio may be invested beyond five years, but no more than 10 years in maturity. Securities with a maturity of more than five years shall be fixed term securities and not securities whose term can be extended by changes in market conditions. No more than 50.0 percent of the portfolio should be invested in any one security issuer, with the exception of U.S. treasury obligations, which could represent 100.0 percent of the portfolio. Commercial paper is limited to 20.0 percent of the portfolio and no more than 2.5 percent of the portfolio should be invested in any one commercial paper issuer. No more than 50.0 percent of the portfolio shall be purchased from any one investment institution.

The following investments exceeded 5.0 percent of the City’s investment portfolio:

| | |
|---------------------------------------|-----|
| Federal Home Loan Banks | 19% |
| Gardena California Pension Obligation | 5% |
| State of New Jersey | 6% |

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy addresses interest rate risk. It states that the City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market to maturity.

NOTE 3 – LEASE RECEIVABLE

The City has entered into a lease receivable agreement for billboard rental at a city site. The lease term includes an interest rate of 3.00 percent with final maturities through 2041. During the current year, the City received principal and interest payments of \$151,290 on this lease. This lease is being reported in fiscal 2022 for the first time with the implementation of GASB Statement No. 87 on leases.

NOTE 4 – CAPITAL ASSETS

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

A. Changes in Capital Assets Used in Governmental Activities

| | Balance – Beginning of Year | Additions | Deletions | Transfers | Balance – End of Year |
|---------------------------------------|-----------------------------------|--------------|--------------|-----------|--------------------------|
| Capital assets, not depreciated | | | | | |
| Land | \$ 3,876,908 | \$ – | \$ (208,039) | \$ – | \$ 3,668,869 |
| Construction in progress | 7,470,075 | 2,484,533 | – | – | 9,954,608 |
| Total capital assets, not depreciated | 11,346,983 | 2,484,533 | (208,039) | – | 13,623,477 |
| Capital assets, depreciated | | | | | |
| Buildings and improvements | 2,014,916 | 339,983 | (34,187) | – | 2,320,712 |
| Machinery and equipment | 578,196 | 162,330 | (104,805) | – | 635,721 |
| Vehicles | 1,630,460 | 88,312 | – | – | 1,718,772 |
| Infrastructure | 17,221,687 | 43,672 | – | – | 17,265,359 |
| Total capital assets, depreciated | 21,445,259 | 634,297 | (138,992) | – | 21,940,564 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (1,027,793) | (54,334) | 24,956 | – | (1,057,171) |
| Machinery and equipment | (356,493) | (63,529) | 104,805 | – | (315,217) |
| Vehicles | (1,230,352) | (151,510) | – | – | (1,381,862) |
| Infrastructure | (13,160,682) | (554,466) | – | – | (13,715,148) |
| Total accumulated depreciation | (15,775,320) | (823,839) | 129,761 | – | (16,469,398) |
| Net capital assets, depreciated | 5,669,939 | (189,542) | (9,231) | – | 5,471,166 |
| Net capital assets | \$ 17,016,922 | \$ 2,294,991 | \$ (217,270) | \$ – | \$ 19,094,643 |

B. Changes in Capital Assets Used in Business-Type Activities

| | Balance – Beginning of Year | Additions | Deletions | Transfers | Balance – End of Year |
|-----------------------------------|-----------------------------------|--------------|-----------|-----------|--------------------------|
| Capital assets, not depreciated | | | | | |
| Land | \$ 231,753 | \$ – | \$ – | \$ – | \$ 231,753 |
| Capital assets, depreciated | | | | | |
| Buildings and improvements | 1,132,987 | – | – | – | 1,132,987 |
| Machinery and equipment | 2,692,906 | – | – | – | 2,692,906 |
| Infrastructure | 7,725,310 | – | – | – | 7,725,310 |
| Total capital assets, depreciated | 11,551,203 | – | – | – | 11,551,203 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (480,105) | (39,458) | – | – | (519,563) |
| Machinery and equipment | (1,193,390) | (160,415) | – | – | (1,353,805) |
| Infrastructure | (3,125,413) | (167,986) | – | – | (3,293,399) |
| Total accumulated depreciation | (4,798,908) | (367,859) | – | – | (5,166,767) |
| Net capital assets, depreciated | 6,752,295 | (367,859) | – | – | 6,384,436 |
| Net capital assets | \$ 6,984,048 | \$ (367,859) | \$ – | \$ – | \$ 6,616,189 |

NOTE 4 – CAPITAL ASSETS (CONTINUED)**C. Depreciation Expense by Function**

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 292 |
| Public safety | 59,128 |
| Public works | 742,183 |
| Parks and recreation | <u>22,236</u> |
| Total depreciation expense – governmental activities | <u>\$ 823,839</u> |
| Business-type activities | |
| Water | \$ 212,395 |
| Sewer | 133,522 |
| Storm sewer | <u>21,942</u> |
| Total depreciation expense – business-type activities | <u>\$ 367,859</u> |

NOTE 5 – LONG-TERM LIABILITIES**A. Changes in Long-Term Liabilities**

| | Balance – Beginning of Year | Additions | Retirements | Balance – End of Year | Due Within One Year |
|---|-----------------------------------|------------------|---------------------|-----------------------------|------------------------|
| Governmental activities | | | | | |
| General obligation bonds payable | \$ 12,930,000 | \$ – | \$ 815,000 | \$ 12,115,000 | \$ 875,000 |
| Premiums on debt issued | 386,097 | – | 31,203 | 354,894 | – |
| Compensated absences payable | <u>152,065</u> | <u>55,659</u> | <u>103,292</u> | <u>104,432</u> | <u>49,563</u> |
| | <u>13,468,162</u> | <u>55,659</u> | <u>949,495</u> | <u>12,574,326</u> | <u>924,563</u> |
| Business-type activities | | | | | |
| General obligation improvement bonds payable | 3,155,000 | – | 250,000 | 2,905,000 | 245,000 |
| Premiums on debt issued | <u>59,181</u> | <u>–</u> | <u>4,687</u> | <u>54,494</u> | <u>–</u> |
| | <u>3,214,181</u> | <u>–</u> | <u>254,687</u> | <u>2,959,494</u> | <u>245,000</u> |
| Total long-term liabilities | <u>\$ 16,682,343</u> | <u>\$ 55,659</u> | <u>\$ 1,204,182</u> | <u>\$ 15,533,820</u> | <u>\$ 1,169,563</u> |

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

B. Details on Bonds Payable

| | Original Issue | Interest Rate | Issue Date | Final Maturity Date | Balance – End of Year |
|--|----------------|---------------|------------|------------------------|--------------------------|
| Governmental activities | | | | | |
| G.O. Improvement Bonds of 2014A | \$ 2,295,000 | 3.00–3.50% | 07/15/2014 | 02/01/2030 | \$ 1,170,000 |
| G.O. Improvement Bonds of 2016A | \$ 490,000 | 1.60–3.00% | 12/29/2016 | 02/01/2032 | 295,000 |
| G.O. Improvement Bonds of 2018A | \$ 3,050,000 | 3.00–4.00% | 08/09/2018 | 02/01/2034 | 2,555,000 |
| G.O. Improvement Bonds of 2021A | \$ 8,535,000 | 1.40–2.00% | 04/08/2021 | 02/01/2041 | 8,095,000 |
| Total governmental activities bonds payable | | | | | <u>\$ 12,115,000</u> |
| Business-type activities | | | | | |
| G.O. Improvement Bonds of 2014A | \$ 940,000 | 3.00–3.50% | 07/15/2014 | 02/01/2030 | \$ 505,000 |
| G.O. Improvement Bonds of 2016A | \$ 870,000 | 1.60–3.00% | 12/29/2016 | 02/01/2032 | 600,000 |
| G.O. Improvement Bonds of 2016B | \$ 595,000 | 1.75–3.00% | 12/29/2016 | 02/01/2033 | 455,000 |
| G.O. Improvement Bonds of 2021A | \$ 1,440,000 | 1.40–2.00% | 04/08/2021 | 02/01/2036 | 1,345,000 |
| Total business-type activities bonds payable | | | | | <u>\$ 2,905,000</u> |

General Obligation Improvement Bonds – These bonds were issued to finance various improvements and capital purchases. The governmental activity bonds will be repaid primarily from either general property taxes or special assessments levied on the properties benefiting from the improvements. The business-type activity bonds will be repaid from Water, Sewer, and Storm Sewer Enterprise Fund operating revenues pledged for the payment of these bonds.

All long-term debt is backed by the full faith and credit of the City.

C. Other Long-Term Liabilities

The City offers a number of benefits to its employees, including: severance benefits and pension benefits. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid by the General Fund and enterprise funds.

City employees participate in several pension plans described later in these notes, including a state-wide, cost-sharing, multiple-employer defined benefit plan administered by the PERA and a single-employer defined benefit plan administered by the Association. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2022:

| Pension Plans | Net Pension Asset | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense (Benefit) |
|---|-------------------------|-------------------------------|--------------------------------------|-------------------------------------|---------------------------------|
| Defined benefit plans | | | | | |
| State-wide, multiple-employer – GERF | \$ – | \$ 1,021,684 | \$ 344,860 | \$ 13,968 | \$ 166,053 |
| Single-employer – Fire Relief Association | 153,901 | – | 123,394 | 142,004 | 33,399 |
| Total | <u>\$ 153,901</u> | <u>\$ 1,021,684</u> | <u>\$ 468,254</u> | <u>\$ 155,972</u> | <u>\$ 199,452</u> |

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bonds payable are as follows:

| Year Ending December 31, | Governmental Activities | | Business-Type Activities | |
|-----------------------------|----------------------------|---------------------|-----------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 875,000 | \$ 272,174 | \$ 245,000 | \$ 65,398 |
| 2024 | 890,000 | 249,094 | 255,000 | 59,483 |
| 2025 | 845,000 | 226,149 | 265,000 | 53,305 |
| 2026 | 820,000 | 203,939 | 260,000 | 47,000 |
| 2027 | 825,000 | 181,989 | 260,000 | 40,670 |
| 2028–2032 | 3,780,000 | 600,142 | 1,245,000 | 104,687 |
| 2033–2037 | 2,490,000 | 257,474 | 375,000 | 10,725 |
| 2038–2041 | 1,590,000 | 64,400 | — | — |
| | <u>\$ 12,115,000</u> | <u>\$ 2,055,361</u> | <u>\$ 2,905,000</u> | <u>\$ 381,268</u> |

E. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

| Bond Issue | Use of Proceeds | Type | Revenue Pledged | | Remaining Principal and Interest | Current Year | |
|------------------------------------|---|-----------------|-------------------------------------|-------------------|--|-----------------------------------|--------------------------------|
| | | | Percent of Total Debt Service | Term of Pledge | | Principal and Interest Paid | Pledged Revenue Received |
| G.O. Improvement Bonds of 2014A | Water, sewer, and storm sewer improvements | Utility charges | 100% | 2015–2030 | \$ 567,288 | \$ 81,600 | \$ 1,629,940 |
| G.O. Improvement Bonds of 2016A | Water, sewer, and storm sewer improvements | Utility charges | 100% | 2017–2032 | \$ 686,405 | \$ 71,246 | \$ 1,629,940 |
| G.O. Improvement Bonds of 2016B | Water, sewer, and storm sewer improvements | Utility charges | 100% | 2017–2033 | \$ 530,685 | \$ 47,803 | \$ 1,629,940 |
| G.O. Improvement Bonds of 2021A | Water, sewer, and storm sewer improvements | Utility charges | 100% | 2022–2036 | \$ 1,501,890 | \$ 128,828 | \$ 1,629,940 |

NOTE 6 – NET POSITION/FUND BALANCES

A. Governmental Fund Balance Classifications

The government-wide Statement of Net Position at December 31, 2022 includes the City's net investment in capital assets calculated as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Net investment in capital assets | | | |
| Capital assets | | | |
| Nondepreciable | \$ 13,623,477 | \$ 231,753 | \$ 13,855,230 |
| Depreciable, net of accumulated depreciation | 5,471,166 | 6,384,436 | 11,855,602 |
| Less capital related long-term debt outstanding | (12,469,894) | (2,959,494) | (15,429,388) |
| Plus unspent bond proceeds | 88,764 | — | 88,764 |
| Total net investment in capital assets | <u>\$ 6,713,513</u> | <u>\$ 3,656,695</u> | <u>\$ 10,370,208</u> |

B. Governmental Fund Balance Classifications

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report:

| | General | Economic Development Authority | G.O. Improvement Bonds of 2014A | G.O. Improvement Bonds of 2018A | G.O. Improvement Bonds of 2021A | Bailey Meadows | 12th and 12th Avenue Capital Projects | City/Fire Hall | Nonmajor Funds | Total |
|-----------------------------------|---------------------|--------------------------------------|--|--|--|-------------------|---|--------------------|---------------------|---------------------|
| Nonspendable | | | | | | | | | | |
| Prepaid items | \$ 1,029 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 233,000 | \$ 234,029 |
| Restricted | | | | | | | | | | |
| Special revenue funds | | | | | | | | | | |
| Economic Development | | | | | | | | | | |
| Authority | \$ — | \$ 2,269,177 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 2,269,177 |
| Heritage Preservation | — | — | — | — | — | — | — | — | 7,040 | 7,040 |
| Recycling | — | — | — | — | — | — | — | — | 22,324 | 22,324 |
| Buy Forfeiture | — | — | — | — | — | — | — | — | 1,319 | 1,319 |
| Pioneer Days | — | — | — | — | — | — | — | — | 48,646 | 48,646 |
| Debt Service | — | — | 680,410 | 237,106 | 551,690 | — | — | — | 192,068 | 1,661,274 |
| Capital Projects | — | — | — | — | — | 88,764 | — | — | — | 88,764 |
| Total restricted | <u>\$ —</u> | <u>\$ 2,269,177</u> | <u>\$ 680,410</u> | <u>\$ 237,106</u> | <u>\$ 551,690</u> | <u>\$ 88,764</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 271,397</u> | <u>\$ 4,098,544</u> |
| Assigned | | | | | | | | | | |
| Capital projects | | | | | | | | | | |
| Parks | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 603,990 | \$ 603,990 |
| Equipment Revolving | — | — | — | — | — | — | — | — | 558,172 | 558,172 |
| 4th Avenue Ravine | — | — | — | — | — | — | — | — | 12,862 | 12,862 |
| North Ravine | — | — | — | — | — | — | — | — | 32,870 | 32,870 |
| Street Construction | — | — | — | — | — | — | 36,677 | — | 247,078 | 283,755 |
| Buildings | — | — | — | — | — | — | — | — | 652,751 | 652,751 |
| Subsequent year budget deficit | 648,562 | — | — | — | — | — | — | — | — | 648,562 |
| Total assigned | <u>\$ 648,562</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 36,677</u> | <u>\$ —</u> | <u>\$ 2,107,723</u> | <u>\$ 2,792,962</u> |
| Unassigned | <u>\$ 2,396,361</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (22,527)</u> | <u>\$ (28,817)</u> | <u>\$ 2,345,017</u> |

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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.

GERF Benefits

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 the 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 Plan 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 Plan 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 age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

GERF 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 GERF for the year ended December 31, 2022, were \$67,625. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

GERF Pension Costs

At December 31, 2022, the City reported a liability of \$1,021,684 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer 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 \$30,002. 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 the 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 the PERA's participating employers. The City's proportionate share was 0.0129 percent at the end of the measurement period and 0.0123 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

| | |
|---|--------------|
| City's proportionate share of the net pension liability | \$ 1,021,684 |
| State's proportionate share of the net pension liability associated with the City | \$ 30,002 |

For the year ended December 31, 2022, the City recognized pension expense of \$161,570 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$4,483 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERF.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

At December 31, 2022, the City reported its proportionate share of the GERS'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 | \$ 8,534 | \$ 10,331 |
| Changes in actuarial assumptions | 220,795 | 3,637 |
| Net collective difference between projected and actual investment earnings | 31,083 | – |
| Changes in proportion | 51,959 | – |
| Contributions paid to the PERA subsequent to the measurement date | 32,489 | – |
| Total | <u>\$ 344,860</u> | <u>\$ 13,968</u> |

A total of \$32,489 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 ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|-----------------------------|------------------------------|
| 2023 | \$ 112,682 |
| 2024 | \$ 113,424 |
| 2025 | \$ (20,101) |
| 2026 | \$ 92,398 |

E. Long-Term Expected Return on Investments

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

F. 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 6.50 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 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

The following change in actuarial assumptions occurred in 2022:

GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate 5.50% | Current Discount Rate 6.50% | 1% Increase in Discount Rate 7.50% |
|---|--|-----------------------------------|--|
| City’s proportionate share of the GERP net pension liability | \$ 1,613,804 | \$ 1,021,684 | \$ 536,055 |

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Newport Fire Department (the Department) are covered by a defined benefit plan administered by the Association. As of December 31, 2022, the plan covered 20 active firefighters and 5 vested terminated firefighters whose pension benefits are deferred. The plan is a single-employer retirement plan and is established and administered in accordance with Minnesota Statutes, Chapter 69.

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

B. Benefits Provided

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

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

**NOTE 8 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2022, were \$28,719. The City's contributions were equal to the required contributions as set by state statutes. The City made voluntary contributions to the plan in the amount of \$455. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2022, the City reported a net pension liability (asset) of (\$153,901) for the plan. The net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2021.

For the year ended December 31, 2022, the City recognized a pension expense of \$33,399. The City also recognized \$28,719 as revenue for the state of Minnesota's on-behalf contributions to the Department.

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

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a-b) |
|-------------------------------------|-----------------------------------|---------------------------------------|---|
| Beginning balance – January 1, 2022 | \$ 880,640 | \$ 1,240,562 | \$ (359,922) |
| Changes for the year | | | |
| Service cost | 35,560 | – | 35,560 |
| Interest on pension liability | 46,533 | – | 46,533 |
| Contributions (state and local) | – | 29,174 | (29,174) |
| Contributions (donations and other) | – | 125 | (125) |
| Net investment income | – | (140,166) | 140,166 |
| Benefit payments | (59,714) | (59,714) | – |
| Administrative costs | – | (13,061) | 13,061 |
| Total net changes | <u>22,379</u> | <u>(183,642)</u> | <u>206,021</u> |
| Ending balance – December 31, 2022 | <u>\$ 903,019</u> | <u>\$ 1,056,920</u> | <u>\$ (153,901)</u> |

**NOTE 8 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

At December 31, 2022, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual liability | \$ – | \$ 141,509 |
| Change of assumptions | 26,261 | 495 |
| Net difference between projected and actual earnings on plan investments | <u>97,133</u> | <u>–</u> |
| Total | <u><u>\$ 123,394</u></u> | <u><u>\$ 142,004</u></u> |

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense |
|-----------------------------|--------------------|
| 2023 | \$ (16,801) |
| 2024 | \$ 1,417 |
| 2025 | \$ 14,671 |
| 2026 | \$ 23,092 |
| 2027 | \$ (16,580) |
| Thereafter | \$ (24,409) |

E. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2022 using the entry-age normal actuarial cost method using the following actuarial assumptions, applied to all periods in the measurement:

| | |
|--|--------------|
| Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service up to 20, and eligibility for deferred service pension payable at age 50 with 20 years of service | |
| Salary increases | N/A |
| Inflation rate | 2.25% |
| Investment rate of return | 5.25% |
| Post-retirement benefit increases | Zero percent |

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

**NOTE 8 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

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

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

| Asset Class | Allocation at Measurement Date | Long-Term Expected Real Rate of Return | Long-Term Expected Nominal Rate of Return |
|---|--------------------------------------|--|---|
| Domestic equity | 46.00 % | 4.42 % | 6.67 % |
| International equity | 14.00 % | 4.91 % | 7.16 % |
| Fixed income | 35.00 % | 1.00 % | 3.25 % |
| Real estate and alternatives | – % | 3.98 % | 6.23 % |
| Cash and equivalents | 5.00 % | (0.33) % | 1.92 % |
| Total | 100.00 % | | 5.72 % |
| Reduced for assumed investment expense | | | (0.50) % |
| Net assumed investment return (rounded to 1/4%) | | | 5.25 % |

F. Discount Rates

The discount rate used to measure the total pension liability was 5.25 percent. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB Statement No. 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” The determination of the discount rate assumed that the plan's current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan's long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability (Asset) Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

| | 1% Decrease in Discount Rate (4.25%) | Current Discount Rate (5.25%) | 1% Increase in Discount Rate (6.25%) |
|-------------------------------|--|-------------------------------------|--|
| Net pension liability (asset) | \$ (121,452) | \$ (153,901) | \$ (185,214) |

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Newport Fire Department Relief Association, 596 – 7th Avenue, Newport, Minnesota 55055-1515.

NOTE 9 – INTERFUND TRANSFERS

The following interfund transfers were made during the year ended December 31, 2022:

| Transfers Out | Transfers In | | |
|--------------------------------|-------------------------|-----------------------------------|---------------------|
| | 12th and 12th Avenue | Nonmajor Governmental Funds | Total |
| General Fund | \$ – | \$ 609,000 | \$ 609,000 |
| Economic Development Authority | – | 85,000 | 85,000 |
| Water | 454,006 | – | 454,006 |
| Sewer | 389,514 | – | 389,514 |
| Storm sewer | 281,751 | – | 281,751 |
| | <u>\$ 1,125,271</u> | <u>\$ 694,000</u> | <u>\$ 1,819,271</u> |

Transfers are used to finance operations of other funds, to finance capital project purchases, and to fund bond payments. Transfers reported in the fund financial statements are eliminated in the government-wide financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Receivables

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

B. Commitments

The City entered into an agreement with the South Washington Watershed District (the District) to share in the costs of a project for drainage improvements that benefit the City. The District is responsible for the financing of this project that benefits multiple communities. The District issued debt to finance this project. The City is not responsible for payments on this debt service; only the cost participation agreed to by the City. The City's share of this project, as required in this agreement, will be paid annually to the District as follows:

| Year Ending December 31, | Principal |
|-----------------------------|-------------------|
| 2023 | \$ 20,000 |
| 2024 | 20,000 |
| 2025 | 20,000 |
| 2026 | 20,000 |
| 2027 | 20,000 |
| 2028–2031 | <u>80,000</u> |
| | <u>\$ 180,000</u> |

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

D. Construction Commitments

At December 31, 2022, the City had \$217,594 of uncompleted work on construction contracts outstanding.

NOTE 11 – DEFICIT FUND EQUITY

At December 31, 2022, the City/Fire Hall Capital Projects Fund had a deficit fund balance of \$22,527. The G.O. Improvement Bonds of 2013A Debt Service Fund had a deficit fund balance of \$28,817. These deficits will be financed by interfund transfers.

NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES

The City had the following interfund receivables and payables at December 31, 2022:

| | Due From Other Funds | Due To Other Funds |
|---------------------------------|-------------------------|-----------------------|
| Governmental funds | | |
| General Fund | \$ 28,817 | \$ – |
| Nonmajor debt service funds | | |
| G.O. Improvement Bonds of 2013A | – | 28,817 |
| Total all funds | <u>\$ 28,817</u> | <u>\$ 28,817</u> |

The interfund balances were made to finance cash flows in the Debt Service Fund. Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWPORT

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2022

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability | City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|---|--|---|---|--|------------------------------|---|--|
| 12/31/2015 | 06/30/2015 | 0.0112% | \$ 580,443 | \$ — | \$ 580,443 | \$ 686,064 | 84.60% | 78.20% |
| 12/31/2016 | 06/30/2016 | 0.0109% | \$ 885,028 | \$ 11,514 | \$ 896,542 | \$ 672,319 | 131.64% | 68.90% |
| 12/31/2017 | 06/30/2017 | 0.0106% | \$ 676,700 | \$ 8,519 | \$ 685,219 | \$ 682,750 | 99.11% | 75.90% |
| 12/31/2018 | 06/30/2018 | 0.0110% | \$ 610,238 | \$ 20,086 | \$ 630,324 | \$ 739,751 | 82.49% | 79.50% |
| 12/31/2019 | 06/30/2019 | 0.0111% | \$ 613,696 | \$ 18,999 | \$ 632,695 | \$ 788,338 | 77.85% | 80.20% |
| 12/31/2020 | 06/30/2020 | 0.0113% | \$ 677,488 | \$ 20,984 | \$ 698,472 | \$ 806,917 | 83.96% | 79.10% |
| 12/31/2021 | 06/30/2021 | 0.0123% | \$ 525,267 | \$ 16,071 | \$ 541,338 | \$ 884,116 | 59.41% | 87.00% |
| 12/31/2022 | 06/30/2022 | 0.0129% | \$ 1,021,684 | \$ 30,002 | \$ 1,051,686 | \$ 967,468 | 105.60% | 76.70% |

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2022

| City Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------------|--|---|--|--------------------|--|
| 12/31/2015 | \$ 49,957 | \$ 49,957 | \$ — | \$ 666,093 | 7.50% |
| 12/31/2016 | \$ 51,524 | \$ 51,524 | \$ — | \$ 685,497 | 7.52% |
| 12/31/2017 | \$ 52,055 | \$ 52,055 | \$ — | \$ 694,047 | 7.50% |
| 12/31/2018 | \$ 56,837 | \$ 56,837 | \$ — | \$ 763,950 | 7.44% |
| 12/31/2019 | \$ 59,498 | \$ 59,498 | \$ — | \$ 793,306 | 7.50% |
| 12/31/2020 | \$ 67,164 | \$ 67,164 | \$ — | \$ 895,517 | 7.50% |
| 12/31/2021 | \$ 68,159 | \$ 68,159 | \$ — | \$ 908,791 | 7.50% |
| 12/31/2022 | \$ 67,625 | \$ 67,625 | \$ — | \$ 901,667 | 7.50% |

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF NEWPORT

PERA – Public Employees Police and Fire Fund
Schedule of City's Proportionate Share of Net Pension Liability
Year Ended December 31, 2022

| City Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|---|--|---|------------------------------|---|--|
| 12/31/2015 | 06/30/2015 | 0.0560% | \$ 636,291 | \$ 505,258 | 125.93% | 86.60% |
| 12/31/2016 | 06/30/2016 | 0.0260% | \$ 1,043,425 | \$ 250,566 | 416.43% | 63.90% |
| 12/31/2017 | 06/30/2017 | — | \$ — | \$ — | — | 85.40% |
| 12/31/2018 | 06/30/2018 | — | \$ — | \$ — | — | 88.80% |
| 12/31/2019 | 06/30/2019 | — | \$ — | \$ — | — | 89.30% |
| 12/31/2020 | 06/30/2020 | — | \$ — | \$ — | — | 87.20% |
| 12/31/2021 | 06/30/2021 | — | \$ — | \$ — | — | 93.70% |
| 12/31/2022 | 06/30/2022 | — | \$ — | \$ — | — | 70.50% |

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2022

| City Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------------|--|---|--|--------------------|--|
| 12/31/2015 | \$ 81,499 | \$ 81,499 | \$ — | \$ 503,080 | 16.20% |
| 12/31/2016 | \$ 2,206 | \$ 2,206 | \$ — | \$ 13,618 | 16.20% |
| 12/31/2017 | \$ — | \$ — | \$ — | \$ — | — |
| 12/31/2018 | \$ — | \$ — | \$ — | \$ — | — |
| 12/31/2019 | \$ — | \$ — | \$ — | \$ — | — |
| 12/31/2020 | \$ — | \$ — | \$ — | \$ — | — |
| 12/31/2021 | \$ — | \$ — | \$ — | \$ — | — |
| 12/31/2022 | \$ — | \$ — | \$ — | \$ — | — |

Note 1: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Note 2: In 2016, the City transferred the operations of the police department to Washington County.

CITY OF NEWPORT

Schedule of Changes in the Newport Fire Department
Relief Association's Net Pension Liability and Related Ratios
Year Ended December 31, 2022

| City fiscal year-end dated December 31, Measurement period | December 31, | | | | | | |
|--|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| | 2015 | 2016 | 2017 | 2019 | 2020 | 2021 | 2022 |
| Total pension liability | | | | | | | |
| Service cost | \$ 29,367 | \$ 31,834 | \$ 27,582 | \$ 37,923 | \$ 29,651 | \$ 30,392 | \$ 35,560 |
| Interest | 52,098 | 46,980 | 49,105 | 49,524 | 38,291 | 42,069 | 46,533 |
| Difference between expected and actual experience | — | — | (25,705) | (177,307) | — | (29,589) | — |
| Changes of assumptions | — | (7,537) | 3,834 | 24,271 | — | 12,868 | — |
| Changes of benefits | — | — | 55,646 | — | — | 90,400 | — |
| Benefit payments | (145,580) | (208,388) | (123,101) | (44,643) | — | — | (59,714) |
| Net change in total pension liability | (64,115) | (137,111) | (12,639) | (110,232) | 67,942 | 146,140 | 22,379 |
| Total pension liability – beginning | 990,655 | 926,540 | 789,429 | 776,790 | 666,558 | 734,500 | 880,640 |
| Total pension liability – ending | <u>\$ 926,540</u> | <u>\$ 789,429</u> | <u>\$ 776,790</u> | <u>\$ 666,558</u> | <u>\$ 734,500</u> | <u>\$ 880,640</u> | <u>\$ 903,019</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions (state and local) | \$ 77,272 | \$ 77,433 | \$ 74,288 | \$ 37,783 | \$ 36,762 | \$ 29,365 | \$ 29,174 |
| Contributions (donations and other) | — | — | — | — | — | — | 125 |
| Net investment income | (3,361) | 54,624 | 100,661 | 99,051 | 120,386 | 96,990 | (140,166) |
| Benefit payments | (145,580) | (208,388) | (123,101) | (44,643) | — | — | (59,714) |
| Administrative costs | (11,908) | (16,532) | (12,572) | (14,332) | (13,850) | (12,300) | (13,061) |
| Net change in plan fiduciary net position | (83,577) | (92,863) | 39,276 | 77,859 | 143,298 | 114,055 | (183,642) |
| Total plan fiduciary net position – beginning | 1,042,514 | 958,937 | 866,074 | 905,350 | 983,209 | 1,126,507 | 1,240,562 |
| Total plan fiduciary net position – ending | <u>\$ 958,937</u> | <u>\$ 866,074</u> | <u>\$ 905,350</u> | <u>\$ 983,209</u> | <u>\$ 1,126,507</u> | <u>\$ 1,240,562</u> | <u>\$ 1,056,920</u> |
| Net pension liability (asset) | <u>\$ (32,397)</u> | <u>\$ (76,645)</u> | <u>\$ (128,560)</u> | <u>\$ (316,651)</u> | <u>\$ (392,007)</u> | <u>\$ (359,922)</u> | <u>\$ (153,901)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 103.50% | 109.71% | 116.55% | 147.51% | 153.37% | 140.87% | 117.04% |

Schedule of Employer Contributions
Newport Fire Department Relief Association
Year Ended December 31, 2022

| City Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Voluntary City Contribution |
|------------------------------|--|---|--|-----------------------------------|
| 12/31/2016 | \$ 77,272 | \$ 77,272 | \$ — | \$ — |
| 12/31/2017 | \$ 77,433 | \$ 77,433 | \$ — | \$ — |
| 12/31/2018 | \$ 74,288 | \$ 74,288 | \$ — | \$ — |
| 12/31/2019 | \$ 37,783 | \$ 37,783 | \$ — | \$ — |
| 12/31/2020 | \$ 36,762 | \$ 36,762 | \$ — | \$ — |
| 12/31/2021 | \$ 29,365 | \$ 29,365 | \$ — | \$ — |
| 12/31/2022 | \$ 28,719 | \$ 28,719 | \$ — | \$ 455 |

Note: These schedules are provided prospectively beginning with the fiscal year ended December 31, 2016.

CITY OF NEWPORT

Notes to Required Supplementary Information December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 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.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 two through five, 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF NEWPORT

Notes to Required Supplementary Information (continued)
December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 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 IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement 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, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF NEWPORT

Notes to Required Supplementary Information (continued) December 31, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 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 nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement 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.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement 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 June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement 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.

2015 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 \$892.0 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 NEWPORT

Notes to Required Supplementary Information (continued) December 31, 2022

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2016 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.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement 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.

2015 CHANGES IN PLAN PROVISIONS

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

NEWPORT FIRE DEPARTMENT RELIEF ASSOCIATION

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality assumptions were updated to reflect the rates used in the July 1, 2021 Minnesota PERA Police and Fire Plan actuarial valuation.
- The investment rate of return decreased from 5.50 percent to 5.25 percent.
- The inflation assumption decreased from 2.50 percent to 2.25 percent.

2021 CHANGES IN PLAN PROVISIONS

- The lump sum benefit amount increased from \$3,700 to \$4,200.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality assumptions were updated to reflect the rates used in the July 1, 2019 Minnesota PERA Police and Fire Plan actuarial valuation.
- The investment rate of return decreased from 6.25 percent to 5.50 percent.
- The inflation assumption decreased from 2.75 percent to 2.50 percent.

CITY OF NEWPORT

Notes to Required Supplementary Information (continued)
December 31, 2022

NEWPORT FIRE DEPARTMENT RELIEF ASSOCIATION (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment rate of return decreased from 6.50 percent to 6.25 percent.

2018 CHANGES IN PLAN PROVISIONS

- The annual lump sum pension increased from \$3,300 to \$3,700 per year of service.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment rate of return increased from 5.50 percent to 6.50 percent.

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SUPPLEMENTARY INFORMATION

CITY OF NEWPORT

Combining Balance Sheet
Nonmajor Governmental Funds
as of December 31, 2022

| | Special Revenue | Debt Service | Capital Projects | Totals |
|---|--------------------|-------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and temporary investments | \$ 437,049 | \$ 191,798 | \$ 2,111,123 | \$ 2,739,970 |
| Receivables | | | | |
| Current taxes | — | 270 | — | 270 |
| Delinquent special assessments | — | 2,317 | — | 2,317 |
| Deferred special assessments | — | 48,126 | — | 48,126 |
| Prepaid items | — | — | 233,000 | 233,000 |
| Total assets | <u>\$ 437,049</u> | <u>\$ 242,511</u> | <u>\$ 2,344,123</u> | <u>\$ 3,023,683</u> |
| Liabilities | | | | |
| Accounts and contracts payable | \$ — | \$ — | \$ 3,400 | \$ 3,400 |
| Due to other funds | — | 28,817 | — | 28,817 |
| Unearned revenue | 357,720 | — | — | 357,720 |
| Total liabilities | <u>357,720</u> | <u>28,817</u> | <u>3,400</u> | <u>389,937</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue – special assessments | — | 50,443 | — | 50,443 |
| Fund balances (deficit) | | | | |
| Nonspendable | — | — | 233,000 | 233,000 |
| Restricted | 79,329 | 192,068 | — | 271,397 |
| Assigned | — | — | 2,107,723 | 2,107,723 |
| Unassigned | — | (28,817) | — | (28,817) |
| Total fund balances | <u>79,329</u> | <u>163,251</u> | <u>2,340,723</u> | <u>2,583,303</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 437,049</u> | <u>\$ 242,511</u> | <u>\$ 2,344,123</u> | <u>\$ 3,023,683</u> |

CITY OF NEWPORT

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2022

| | Special Revenue | Debt Service | Capital Projects | Totals |
|---|--------------------|-----------------|---------------------|--------------|
| Revenue | | | | |
| Property taxes | \$ — | \$ 20,409 | \$ — | \$ 20,409 |
| Special assessments | — | 24,043 | 1,459 | 25,502 |
| Intergovernmental | 56,433 | — | — | 56,433 |
| Investment earnings (charges) | (670) | 64 | (35,609) | (36,215) |
| Miscellaneous | 14,637 | — | 750 | 15,387 |
| Total revenue | 70,400 | 44,516 | (33,400) | 81,516 |
| Expenditures | | | | |
| Current | | | | |
| General government | 68,622 | — | — | 68,622 |
| Capital outlay | — | — | 508,317 | 508,317 |
| Debt service | | | | |
| Principal retirement | — | 40,000 | — | 40,000 |
| Interest and fiscal charges | — | 8,870 | — | 8,870 |
| Total expenditures | 68,622 | 48,870 | 508,317 | 625,809 |
| Excess (deficiency) of revenue over expenditures | 1,778 | (4,354) | (541,717) | (544,293) |
| Other financing sources | | | | |
| Sale of capital assets | — | — | 280,000 | 280,000 |
| Transfers in | 9,000 | — | 685,000 | 694,000 |
| Total other financing sources | 9,000 | — | 965,000 | 974,000 |
| Net change in fund balances | 10,778 | (4,354) | 423,283 | 429,707 |
| Fund balances | | | | |
| Beginning of year | 68,551 | 167,605 | 1,917,440 | 2,153,596 |
| End of year | \$ 79,329 | \$ 163,251 | \$ 2,340,723 | \$ 2,583,303 |

CITY OF NEWPORT

Combining Balance Sheet
Nonmajor Special Revenue Funds
as of December 31, 2022

| | Heritage Preservation | Recycling | Buy Forfeiture | Pioneer Days | American Rescue Plan | Total |
|--|--------------------------|------------------|-------------------|------------------|-------------------------|-------------------|
| Assets | | | | | | |
| Cash and temporary investments | <u>\$ 7,040</u> | <u>\$ 22,324</u> | <u>\$ 1,319</u> | <u>\$ 48,646</u> | <u>\$ 357,720</u> | <u>\$ 437,049</u> |
| Liabilities | | | | | | |
| Unearned revenue | \$ — | \$ — | \$ — | \$ — | \$ 357,720 | \$ 357,720 |
| Fund balances | | | | | | |
| Restricted | <u>7,040</u> | <u>22,324</u> | <u>1,319</u> | <u>48,646</u> | <u>—</u> | <u>79,329</u> |
| Total liabilities and fund balances | <u>\$ 7,040</u> | <u>\$ 22,324</u> | <u>\$ 1,319</u> | <u>\$ 48,646</u> | <u>\$ 357,720</u> | <u>\$ 437,049</u> |

CITY OF NEWPORT

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended December 31, 2022

| | Heritage Preservation | Recycling | Buy Forfeiture | Pioneer Days | American Rescue Plan | Total |
|---|--------------------------|-----------|-------------------|-----------------|-------------------------|-----------|
| Revenue | | | | | | |
| Intergovernmental | \$ 751 | \$ 21,298 | \$ — | \$ — | \$ 34,384 | \$ 56,433 |
| Investment earnings (charges) | 3 | 5 | — | (678) | — | (670) |
| Miscellaneous | — | — | — | 14,637 | — | 14,637 |
| Total revenue | 754 | 21,303 | — | 13,959 | 34,384 | 70,400 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 9,751 | 21,102 | — | 3,385 | 34,384 | 68,622 |
| Excess (deficiency) of revenue over expenditures | (8,997) | 201 | — | 10,574 | — | 1,778 |
| Other financing sources | | | | | | |
| Transfers in | 9,000 | — | — | — | — | 9,000 |
| Net change in fund balances | 3 | 201 | — | 10,574 | — | 10,778 |
| Fund balances | | | | | | |
| Beginning of year | 7,037 | 22,123 | 1,319 | 38,072 | — | 68,551 |
| End of year | \$ 7,040 | \$ 22,324 | \$ 1,319 | \$ 48,646 | \$ — | \$ 79,329 |

CITY OF NEWPORT

Combining Balance Sheet
Nonmajor Debt Service Funds
as of December 31, 2022

| | PFA G.O. Bonds of 2002 | G.O. Refunding Bonds of 2010 | G.O. Improvement Bonds of 2011A |
|--|------------------------------|---------------------------------------|--|
| Assets | | | |
| Cash and temporary investments | \$ 4,771 | \$ 3 | \$ 117,044 |
| Receivables | | | |
| Current taxes | — | — | — |
| Delinquent special assessments | — | — | — |
| Deferred special assessments | — | — | 6,676 |
| Total assets | <u>\$ 4,771</u> | <u>\$ 3</u> | <u>\$ 123,720</u> |
| Liabilities | | | |
| Due to other funds | \$ — | \$ — | \$ — |
| Deferred inflows of resources | | | |
| Unavailable revenue – special assessments | — | — | 6,676 |
| Fund balances (deficit) | | | |
| Restricted for debt service | 4,771 | 3 | 117,044 |
| Unassigned | — | — | — |
| Total fund balances (deficit) | <u>4,771</u> | <u>3</u> | <u>117,044</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,771</u> | <u>\$ 3</u> | <u>\$ 123,720</u> |

| G.O. Improvement Bonds of 2013A | G.O. Improvement Bonds of 2016A | Total |
|--|--|--------------------------|
| \$ — | \$ 69,980 | \$ 191,798 |
| — | 270 | 270 |
| 220 | 2,097 | 2,317 |
| <u>8,897</u> | <u>32,553</u> | <u>48,126</u> |
| <u><u>\$ 9,117</u></u> | <u><u>\$ 104,900</u></u> | <u><u>\$ 242,511</u></u> |
| \$ 28,817 | \$ — | \$ 28,817 |
| 9,117 | 34,650 | 50,443 |
| — | 70,250 | 192,068 |
| <u>(28,817)</u> | <u>—</u> | <u>(28,817)</u> |
| <u>(28,817)</u> | <u>70,250</u> | <u>163,251</u> |
| <u><u>\$ 9,117</u></u> | <u><u>\$ 104,900</u></u> | <u><u>\$ 242,511</u></u> |

CITY OF NEWPORT

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended December 31, 2022

| | PFA G.O. Bonds of 2002 | G.O. Refunding Bonds of 2010 | G.O. Improvement Bonds of 2011A |
|-----------------------------|------------------------------|---------------------------------------|--|
| Revenue | | | |
| Property taxes | \$ — | \$ — | \$ — |
| Special assessments | 4,770 | — | 950 |
| Investment earnings | 1 | 3 | 36 |
| Total revenue | <u>4,771</u> | <u>3</u> | <u>986</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal retirement | — | — | — |
| Interest and fiscal charges | — | — | — |
| Total expenditures | <u>—</u> | <u>—</u> | <u>—</u> |
| Net change in fund balances | 4,771 | 3 | 986 |
| Fund balances (deficit) | | | |
| Beginning of year | <u>—</u> | <u>—</u> | <u>116,058</u> |
| End of year | <u>\$ 4,771</u> | <u>\$ 3</u> | <u>\$ 117,044</u> |

| G.O. Improvement Bonds of 2013A | G.O. Improvement Bonds of 2016A | Total |
|--|--|-------------------|
| \$ — | \$ 20,409 | \$ 20,409 |
| 9,665 | 8,658 | 24,043 |
| 1 | 23 | 64 |
| <u>9,666</u> | <u>29,090</u> | <u>44,516</u> |
| — | 40,000 | 40,000 |
| — | 8,870 | 8,870 |
| <u>—</u> | <u>48,870</u> | <u>48,870</u> |
| 9,666 | (19,780) | (4,354) |
| <u>(38,483)</u> | <u>90,030</u> | <u>167,605</u> |
| <u>\$ (28,817)</u> | <u>\$ 70,250</u> | <u>\$ 163,251</u> |

CITY OF NEWPORT

Combining Balance Sheet
Nonmajor Capital Projects Funds
as of December 31, 2022

| | <u>Parks</u> | <u>Equipment Revolving</u> | <u>4th Avenue Ravine</u> | <u>North Ravine</u> |
|-------------------------------------|-------------------|--------------------------------|------------------------------|---------------------|
| Assets | | | | |
| Cash and temporary investments | \$ 607,390 | \$ 558,172 | \$ 12,862 | \$ 32,870 |
| Prepaid items | <u>—</u> | <u>233,000</u> | <u>—</u> | <u>—</u> |
| Total assets | <u>\$ 607,390</u> | <u>\$ 791,172</u> | <u>\$ 12,862</u> | <u>\$ 32,870</u> |
| Liabilities | | | | |
| Accounts and contracts payable | \$ 3,400 | \$ — | \$ — | \$ — |
| Fund balances | | | | |
| Nonspendable | — | 233,000 | — | — |
| Assigned | <u>603,990</u> | <u>558,172</u> | <u>12,862</u> | <u>32,870</u> |
| Total fund balances | <u>603,990</u> | <u>791,172</u> | <u>12,862</u> | <u>32,870</u> |
| Total liabilities and fund balances | <u>\$ 607,390</u> | <u>\$ 791,172</u> | <u>\$ 12,862</u> | <u>\$ 32,870</u> |

| Street Construction | Buildings | Total |
|------------------------|-------------------|---------------------|
| \$ 247,078 | \$ 652,751 | \$ 2,111,123 |
| — | — | 233,000 |
| <u>\$ 247,078</u> | <u>\$ 652,751</u> | <u>\$ 2,344,123</u> |
| \$ — | \$ — | \$ 3,400 |
| — | — | 233,000 |
| <u>247,078</u> | <u>652,751</u> | <u>2,107,723</u> |
| <u>247,078</u> | <u>652,751</u> | <u>2,340,723</u> |
| <u>\$ 247,078</u> | <u>\$ 652,751</u> | <u>\$ 2,344,123</u> |

CITY OF NEWPORT

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended December 31, 2022

| | <u>Parks</u> | <u>Equipment Revolving</u> | <u>4th Avenue Ravine</u> | <u>North Ravine</u> |
|---|-------------------|--------------------------------|------------------------------|---------------------|
| Revenue | | | | |
| Special assessments | \$ — | \$ — | \$ — | \$ 1,459 |
| Investment earnings (charges) | (14,208) | (2,190) | 4 | (3) |
| Miscellaneous | <u>750</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total revenue | (13,458) | (2,190) | 4 | 1,456 |
| Expenditures | | | | |
| Capital outlay | <u>335,883</u> | <u>162,334</u> | <u>—</u> | <u>—</u> |
| Excess (deficiency) of revenue over expenditures | (349,341) | (164,524) | 4 | 1,456 |
| Other financing sources | | | | |
| Sale of capital assets | — | 280,000 | — | — |
| Transfers in | <u>360,000</u> | <u>300,000</u> | <u>—</u> | <u>—</u> |
| Total other financing sources | <u>360,000</u> | <u>580,000</u> | <u>—</u> | <u>—</u> |
| Net change in fund balances | 10,659 | 415,476 | 4 | 1,456 |
| Fund balances | | | | |
| Beginning of year | <u>593,331</u> | <u>375,696</u> | <u>12,858</u> | <u>31,414</u> |
| End of year | <u>\$ 603,990</u> | <u>\$ 791,172</u> | <u>\$ 12,862</u> | <u>\$ 32,870</u> |

| Street Construction | Buildings | Total |
|------------------------|-------------------|---------------------|
| \$ — | \$ — | \$ 1,459 |
| (5,819) | (13,393) | (35,609) |
| — | — | 750 |
| <u>(5,819)</u> | <u>(13,393)</u> | <u>(33,400)</u> |
| — | 10,100 | 508,317 |
| (5,819) | (23,493) | (541,717) |
| — | — | 280,000 |
| — | 25,000 | 685,000 |
| <u>—</u> | <u>25,000</u> | <u>965,000</u> |
| (5,819) | 1,507 | 423,283 |
| <u>252,897</u> | <u>651,244</u> | <u>1,917,440</u> |
| <u>\$ 247,078</u> | <u>\$ 652,751</u> | <u>\$ 2,340,723</u> |

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CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 | |
|-------------------------------|-----------------|--------------|------------------------|--------------|
| | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Property taxes | | | | |
| Current ad valorem | \$ 1,878,500 | \$ 1,944,967 | \$ 66,467 | \$ 1,986,508 |
| Fiscal disparities | 358,927 | 358,927 | — | 262,050 |
| Fire relief | 24,000 | — | (24,000) | 5,396 |
| Total property taxes | 2,261,427 | 2,303,894 | 42,467 | 2,253,954 |
| Licenses and permits | | | | |
| Conditional use permits | 1,700 | 3,150 | 1,450 | 2,000 |
| Licenses and permits | — | 475 | 475 | 150 |
| Alcoholic beverages | 8,600 | 8,660 | 60 | 1,350 |
| Cigarette licenses | 750 | 1,000 | 250 | 1,000 |
| Building permit fees | 125,000 | 122,389 | (2,611) | 478,655 |
| Animal licenses/citations | 1,400 | 1,290 | (110) | 1,395 |
| Recycling/sanitation | 2,400 | 1,200 | (1,200) | 1,800 |
| Total licenses and permits | 139,850 | 138,164 | (1,686) | 486,350 |
| Intergovernmental | | | | |
| State | | | | |
| Local governmental aid | 527,195 | 527,195 | — | 527,195 |
| State fire relief aid | — | 26,719 | 26,719 | 23,969 |
| Other/miscellaneous grants | 25,000 | 4,661 | (20,339) | 78,576 |
| Total intergovernmental | 552,195 | 558,575 | 6,380 | 629,740 |
| Fines and forfeits | 25,250 | 31,366 | 6,116 | 32,470 |
| Charges for services | | | | |
| Franchise fees | 96,000 | 99,903 | 3,903 | 95,878 |
| Miscellaneous | 172,128 | 171,533 | (595) | 142,141 |
| Total charges for services | 268,128 | 271,436 | 3,308 | 238,019 |
| Investment earnings (charges) | 20,000 | (74,942) | (94,942) | 8,737 |
| Miscellaneous | | | | |
| Donations | 1,500 | 270 | (1,230) | 10,769 |
| Other | 50,000 | 4,114 | (45,886) | 16,933 |
| Total miscellaneous | 51,500 | 4,384 | (47,116) | 27,702 |
| Total revenue | 3,318,350 | 3,232,877 | (85,473) | 3,676,972 |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 |
|------------------------------|-----------------|---------|------------------------|
| | Final Budget | Actual | Over (Under) Budget |
| | | | Actual |
| Expenditures | | | |
| Current | | | |
| General government | | | |
| Mayor and City Council | | | |
| Personal services | 25,514 | 25,107 | (407) |
| Communications | 750 | 596 | (154) |
| Travel/conferences | 1,200 | 220 | (980) |
| Memberships | 400 | 30 | (370) |
| Education | 1,500 | 439 | (1,061) |
| Miscellaneous | — | 62 | 62 |
| Total Mayor and City Council | 29,364 | 26,454 | (2,910) |
| Administration | | | |
| Personal services | 336,961 | 312,580 | (24,381) |
| Insurance | 49,457 | 42,721 | (6,736) |
| Office supplies | 7,000 | 4,869 | (2,131) |
| Communications | 10,000 | 11,010 | 1,010 |
| Travel | 3,500 | 2,778 | (722) |
| Printing and publishing | 3,000 | 2,190 | (810) |
| Postage | 3,500 | 3,144 | (356) |
| Dues and subscriptions | 8,300 | 6,521 | (1,779) |
| Education | 5,000 | 2,967 | (2,033) |
| Contractual services | 10,000 | 9,622 | (378) |
| Capital outlay | 2,000 | — | (2,000) |
| Miscellaneous | 14,000 | 14,502 | 502 |
| Total administration | 452,718 | 412,904 | (39,814) |
| Elections | | | |
| Temporary employees | 3,200 | 3,976 | 776 |
| Operating supplies | 700 | 372 | (328) |
| Miscellaneous | 600 | — | (600) |
| Total elections | 4,500 | 4,348 | (152) |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 | |
|-----------------------------------|-----------------|---------|------------------------|---------|
| | Final Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| General government (continued) | | | | |
| Professional services | | | | |
| Accounting/audit | 71,000 | 75,042 | 4,042 | 81,994 |
| Engineering | 70,000 | 53,750 | (16,250) | 96,048 |
| Legal | 75,000 | 113,589 | 38,589 | 64,381 |
| IT, phone support, and hardware | 25,000 | 24,776 | (224) | 16,711 |
| Building inspection | 100,000 | 71,858 | (28,142) | 221,285 |
| Insurance | 50,000 | 58,106 | 8,106 | 55,668 |
| Miscellaneous contracted services | 50,000 | 38,707 | (11,293) | 22,107 |
| Total professional services | 441,000 | 435,828 | (5,172) | 558,194 |
| Planning and zoning | | | | |
| Personal services | 1,938 | 1,130 | (808) | 1,615 |
| Operating supplies | 500 | 45 | (455) | — |
| Professional services | 59,200 | 33,796 | (25,404) | 31,624 |
| Miscellaneous | 1,000 | — | (1,000) | — |
| Total planning and zoning | 62,638 | 34,971 | (27,667) | 33,239 |
| Composting | | | | |
| Personal services | 6,909 | 10,687 | 3,778 | 5,932 |
| Operating supplies | 250 | — | (250) | — |
| Miscellaneous | 800 | 915 | 115 | 560 |
| Total composting | 7,959 | 11,602 | 3,643 | 6,492 |
| Miscellaneous | | | | |
| Contingency | 20,000 | 250 | (19,750) | 740 |
| City Hall | | | | |
| Operating supplies | 900 | 2,641 | 1,741 | 200 |
| Repairs and maintenance | 1,500 | 1,971 | 471 | 50 |
| Utilities | 12,000 | 19,337 | 7,337 | 7,101 |
| Capital outlay | 2,500 | — | (2,500) | — |
| Total City Hall | 16,900 | 23,949 | 7,049 | 7,351 |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 |
|--------------------------------|-----------------|---------|----------------------------------|
| | Final Budget | Actual | Over (Under) Budget Actual |
| Expenditures (continued) | | | |
| Current (continued) | | | |
| General government (continued) | | | |
| Government buildings | | | |
| Library | | | |
| Personnel | 25,103 | 22,303 | (2,800) |
| Operating supplies | 1,100 | 502 | (598) |
| Repairs and maintenance | 750 | 544 | (206) |
| Contracted services | 2,500 | 1,762 | (738) |
| Utilities | 5,000 | 6,715 | 1,715 |
| Capital outlay | 4,500 | — | (4,500) |
| Total library | 38,953 | 31,826 | (7,127) |
| Railroad tower | | | |
| Repairs and maintenance | 200 | — | (200) |
| Utilities | 400 | 294 | (106) |
| Total railroad tower | 600 | 294 | (306) |
| Total government buildings | 56,453 | 56,069 | (384) |
| Total general government | 1,074,632 | 982,426 | (92,206) |
| Public safety | | | |
| Police department | | | |
| Departmental services | 6,500 | — | (6,500) |
| Contracted services | 920,125 | 918,828 | (1,297) |
| Capital outlay | — | — | — |
| Total police department | 926,625 | 918,828 | (7,797) |
| Fire Station No. 1 | | | |
| Operating supplies | 500 | 109 | (391) |
| Repairs and maintenance | 500 | (497) | (997) |
| Utilities | 4,000 | 10,479 | 6,479 |
| Capital outlay | 1,000 | — | (1,000) |
| Total Fire Station No. 1 | 6,000 | 10,091 | 4,091 |
| Fire Station No. 2 | | | |
| Operating supplies | 500 | 51 | (449) |
| Utilities | 1,200 | 2,561 | 1,361 |
| Total Fire Station No. 2 | 1,700 | 2,612 | 912 |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 |
|-------------------------------|-----------------|-----------|----------------------------------|
| | Final Budget | Actual | Over (Under) Budget Actual |
| Expenditures (continued) | | | |
| Current (continued) | | | |
| Public safety (continued) | | | |
| Fire protection | | | |
| Personal services | 74,579 | 61,726 | (12,853) |
| Insurance | 12,000 | 8,560 | (3,440) |
| Office supplies | 2,000 | 3,216 | 1,216 |
| Vehicle supplies | 19,500 | 16,773 | (2,727) |
| Tools and equipment | 4,000 | 7,127 | 3,127 |
| Fuel | 4,500 | 3,856 | (644) |
| Uniforms | 3,000 | 4,548 | 1,548 |
| Communication | 6,000 | 5,024 | (976) |
| Travel and conferences | 1,000 | — | (1,000) |
| Memberships and subscriptions | 1,000 | 1,240 | 240 |
| Education | 11,000 | 7,817 | (3,183) |
| Repairs and maintenance | 7,000 | 6,043 | (957) |
| Contractual | 13,000 | 11,508 | (1,492) |
| Fire relief | — | 455 | 455 |
| State fire relief aid | 24,000 | 26,719 | 2,719 |
| Capital outlay | 6,500 | — | (6,500) |
| Total fire protection | 189,079 | 164,612 | (24,467) |
| Total public safety | 1,123,404 | 1,096,143 | (27,261) |
| Public works | | | |
| Streets | | | |
| Personal services | 158,860 | 151,860 | (7,000) |
| Insurance | 86,560 | 65,870 | (20,690) |
| Materials and supplies | 60,000 | 68,538 | 8,538 |
| Vehicle supplies | 16,000 | 4,167 | (11,833) |
| Small tools and equipment | 3,000 | 202 | (2,798) |
| Fuel | 15,000 | 11,013 | (3,987) |
| Uniforms | 3,500 | 3,217 | (283) |
| Communications | 4,000 | 1,610 | (2,390) |
| Rentals | 3,000 | — | (3,000) |
| Seal coat | 87,000 | 87,022 | 22 |
| Repairs and maintenance | 6,500 | 10,124 | 3,624 |
| Miscellaneous contractual | 14,000 | 14,795 | 795 |
| Miscellaneous | 6,200 | 2,023 | (4,177) |
| Capital outlay | 1,200 | — | (1,200) |
| Total streets | 464,820 | 420,441 | (44,379) |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 |
|---------------------------|-----------------|---------|----------------------------------|
| | Final Budget | Actual | Over (Under) Budget Actual |
| Expenditures (continued) | | | |
| Current (continued) | | | |
| Public works (continued) | | | |
| Public works garage | | | |
| Operating supplies | 4,000 | 4,065 | 65 |
| Repairs and maintenance | 2,500 | 774 | (1,726) |
| Utilities | 18,500 | 21,882 | 3,382 |
| Capital outlay | 2,000 | — | (2,000) |
| Total public works garage | 27,000 | 26,721 | (279) |
| Total public works | 491,820 | 447,162 | (44,658) |
| Parks and recreation | | | |
| Parks | | | |
| Personal services | 326,877 | 337,967 | 11,090 |
| Insurance | 53,383 | 57,140 | 3,757 |
| Operating supplies | 10,500 | 13,612 | 3,112 |
| Vehicle supplies | 6,500 | 311 | (6,189) |
| Tools and minor equipment | 3,000 | 627 | (2,373) |
| Fuel | 10,000 | 8,583 | (1,417) |
| Uniforms | 3,700 | 4,080 | 380 |
| Rental | 1,500 | — | (1,500) |
| Communications | 300 | 134 | (166) |
| Miscellaneous | 8,500 | 2,714 | (5,786) |
| Miscellaneous contractual | 10,000 | 18,978 | 8,978 |
| Capital outlay | 15,000 | 3,820 | (11,180) |
| Total parks | 449,260 | 447,966 | (1,294) |
| Park buildings | | | |
| Personal services | 5,425 | 4,050 | (1,375) |
| Operating supplies | 400 | — | (400) |
| Repairs and maintenance | 250 | — | (250) |
| Utilities | 4,000 | 3,826 | (174) |
| Total park buildings | 10,075 | 7,876 | (2,199) |

CITY OF NEWPORT

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

| | 2022 | | 2021 |
|--------------------------------------|-----------------|--------------|----------------------------------|
| | Final Budget | Actual | Over (Under) Budget Actual |
| Expenditures (continued) | | | |
| Current (continued) | | | |
| Parks and recreation (continued) | | | |
| Recreation | | | |
| Personal services | 8,200 | — | (8,200) |
| Supplies | 500 | — | (500) |
| Other | 650 | — | (650) |
| Total recreation | 9,350 | — | (9,350) |
| Total parks and recreation | 468,685 | 455,842 | (12,843) |
| Total expenditures | 3,158,541 | 2,981,573 | (176,968) |
| Excess of revenue over expenditures | 159,809 | 251,304 | 91,495 |
| Other financing sources (uses) | | | |
| Sale of capital assets | — | — | — |
| Transfers (out) | | | |
| Heritage Preservation Fund | (9,000) | (9,000) | — |
| Parks Fund | (275,000) | (275,000) | — |
| Equipment Revolving Fund | (300,000) | (300,000) | — |
| Buildings Fund | (25,000) | (25,000) | — |
| City/Fire Hall Fund | — | — | — |
| Total other financing sources (uses) | (609,000) | (609,000) | — |
| Net change in fund balances | \$ (449,191) | (357,696) | \$ 91,495 |
| Fund balances | | | |
| Beginning of year | | 3,403,648 | 3,432,747 |
| End of year | | \$ 3,045,952 | \$ 3,403,648 |

CITY OF NEWPORT

Comparative Schedule of Revenue, Expenses, and Changes in Net Position
Water Fund
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Operating revenue | | |
| Water sales | \$ 530,168 | \$ 633,596 |
| Water access charges | 11,200 | 75,600 |
| Permits and licenses | 958 | 7,576 |
| Other | 550 | — |
| Total operating revenue | <u>542,876</u> | <u>716,772</u> |
| Operating expenses | | |
| Salaries | 116,148 | 103,495 |
| Employee benefits | 42,907 | 15,726 |
| Insurance | 18,380 | 14,152 |
| Supplies | 27,937 | 38,013 |
| Utilities | 60,051 | 48,933 |
| Depreciation | 212,395 | 195,337 |
| Other | 117,093 | 69,127 |
| Total operating expenses | <u>594,911</u> | <u>484,783</u> |
| Operating income (loss) | (52,035) | 231,989 |
| Nonoperating revenue (expenses) | | |
| State grant and aids | 569 | 144 |
| Investment earnings (losses) | (31,625) | 1,576 |
| Interest and fiscal charges | (34,845) | (36,286) |
| Total nonoperating revenue (expenses) | <u>(65,901)</u> | <u>(34,566)</u> |
| Income (loss) before contributions and transfers | (117,936) | 197,423 |
| Transfers in | — | 50,000 |
| Transfers (out) | (454,006) | — |
| Capital contributions from other funds | <u>—</u> | <u>1,456,243</u> |
| Change in net position | (571,942) | 1,703,666 |
| Net position | | |
| Beginning of year | <u>4,257,671</u> | <u>2,554,005</u> |
| End of year | <u>\$ 3,685,729</u> | <u>\$ 4,257,671</u> |

CITY OF NEWPORT

Comparative Schedule of Revenue, Expenses, and Changes in Net Position
Sewer Fund
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating revenue | | |
| Sewer charges | \$ 859,493 | \$ 949,422 |
| Sewer access charges | 39,195 | 254,520 |
| Permits and licenses | 1,414 | 7,676 |
| Total operating revenue | <u>900,102</u> | <u>1,211,618</u> |
| Operating expenses | | |
| Salaries | 115,058 | 103,255 |
| Employee benefits | 38,898 | 10,817 |
| Metropolitan Council | | |
| Environmental Services charges | 384,972 | 580,319 |
| Insurance | 17,984 | 13,558 |
| Supplies | 10,394 | 5,754 |
| Utilities | 9,953 | 10,411 |
| Depreciation | 133,522 | 123,692 |
| Other | 69,720 | 5,064 |
| Total operating expenses | <u>780,501</u> | <u>852,870</u> |
| Operating income | 119,601 | 358,748 |
| Nonoperating revenue (expense) | | |
| State grant and aids | 563 | 143 |
| Investment earnings (losses) | (43,200) | 5,724 |
| Interest and fiscal charges | (24,969) | (32,795) |
| Total nonoperating revenue (expense) | <u>(67,606)</u> | <u>(26,928)</u> |
| Income before contributions and transfers | 51,995 | 331,820 |
| Transfers in | — | 50,000 |
| Transfers (out) | (389,514) | — |
| Capital contributions from other funds | <u>—</u> | <u>1,391,243</u> |
| Change in net position | (337,519) | 1,773,063 |
| Net position | | |
| Beginning of year | <u>3,594,153</u> | <u>1,821,090</u> |
| End of year | <u>\$ 3,256,634</u> | <u>\$ 3,594,153</u> |

CITY OF NEWPORT

Comparative Schedule of Revenue, Expenses, and Changes in Net Position
 Street Light Fund
 Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|
| Operating revenue | | |
| Street light charges | \$ 89,905 | \$ 87,953 |
| Operating expenses | | |
| Salaries | 12,520 | 9,127 |
| Employee benefits | 1,860 | 1,366 |
| Insurance | 2,590 | 1,367 |
| Utilities | 50,549 | 43,074 |
| Total operating expenses | <u>67,519</u> | <u>54,934</u> |
| Operating income | 22,386 | 33,019 |
| Nonoperating revenue | | |
| Investment earnings (losses) | <u>(4,763)</u> | <u>(125)</u> |
| Change in net position | 17,623 | 32,894 |
| Net position | | |
| Beginning of year | <u>268,451</u> | <u>235,557</u> |
| End of year | <u>\$ 286,074</u> | <u>\$ 268,451</u> |

CITY OF NEWPORT

Comparative Schedule of Revenue, Expenses, and Changes in Net Position
 Storm Sewer Fund
 Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-------------------|
| Operating revenue | | |
| Storm sewer charges | \$ 186,962 | \$ 181,132 |
| Operating expenses | | |
| Salaries | 18,650 | 13,065 |
| Employee benefits | 12,204 | 6,550 |
| Insurance | 4,102 | 2,692 |
| Professional services | 94,529 | 11,941 |
| Depreciation | 21,942 | 28,640 |
| Other | 20,743 | 21,506 |
| Total operating expenses | <u>172,170</u> | <u>84,394</u> |
| Operating income | 14,792 | 96,738 |
| Nonoperating revenue (expenses) | | |
| State grant and aid | 154 | 31 |
| Investments earnings (losses) | (2,404) | 124 |
| Interest and fiscal charges | (10,687) | (12,320) |
| Total nonoperating revenue (expenses) | <u>(12,937)</u> | <u>(12,165)</u> |
| Income before special assessments and transfers | 1,855 | 84,573 |
| Special assessments | 18,029 | 36,015 |
| Transfers (out) | <u>(281,751)</u> | <u>—</u> |
| Change in net position | (261,867) | 120,588 |
| Net position | | |
| Beginning of year | <u>350,803</u> | <u>230,215</u> |
| End of year | <u>\$ 88,936</u> | <u>\$ 350,803</u> |

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OTHER INFORMATION SECTION

CITY OF NEWPORT

General Fund Revenue by Source
Last Ten Fiscal Years

| Fiscal Year | Taxes Ad Valorem | Licenses and Permits | Intergovernmental Revenue | Charges for Services | Fines and Forfeits | Other | Total |
|-------------|------------------|----------------------|---------------------------|----------------------|--------------------|-----------|--------------|
| 2013 | \$ 2,118,004 | \$ 89,767 | \$ 674,822 | \$ 98,929 | \$ 68,193 | \$ 86,215 | \$ 3,135,930 |
| 2014 | 2,132,461 | 77,636 | 719,396 | 92,905 | 66,381 | 80,255 | 3,169,034 |
| 2015 | 2,118,808 | 75,363 | 770,619 | 93,957 | 61,850 | 83,499 | 3,204,096 |
| 2016 | 1,706,348 | 88,399 | 734,518 | 93,309 | 40,338 | 88,351 | 2,751,263 |
| 2017 | 2,010,706 | 192,233 | 695,328 | 113,240 | 43,782 | 75,372 | 3,130,661 |
| 2018 | 2,181,904 | 306,656 | 658,093 | 107,654 | 31,279 | 49,290 | 3,334,876 |
| 2019 | 2,270,016 | 487,623 | 601,187 | 109,133 | 22,352 | 147,941 | 3,638,252 |
| 2020 | 2,290,956 | 377,965 | 625,371 | 110,067 | 24,642 | 154,753 | 3,583,754 |
| 2021 | 2,253,954 | 486,350 | 629,740 | 238,019 | 32,470 | 36,439 | 3,676,972 |
| 2022 | 2,303,894 | 138,164 | 558,575 | 271,436 | 31,366 | (70,558) | 3,232,877 |

CITY OF NEWPORT

General Fund Expenditures by Function
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Parks and Recreation</u> | <u>Capital Outlay</u> | <u>Total</u> |
|------------------------|-------------------------------|----------------------|---------------------|---------------------------------|-----------------------|--------------|
| 2013 | \$ 666,612 | \$ 975,112 | \$ 400,294 | \$ 381,842 | \$ 56,304 | \$ 2,480,164 |
| 2014 | 613,775 | 1,017,421 | 395,326 | 320,040 | 42,977 | 2,389,539 |
| 2015 | 668,594 | 1,204,726 | 358,887 | 351,058 | 25,039 | 2,608,304 |
| 2016 | 765,402 | 914,238 | 342,847 | 332,447 | 10,861 | 2,365,795 |
| 2017 | 696,553 | 904,392 | 374,505 | 313,688 | 16,679 | 2,305,817 |
| 2018 | 752,507 | 945,510 | 321,391 | 384,624 | 5,800 | 2,409,832 |
| 2019 | 1,009,262 | 985,056 | 448,570 | 400,484 | 2,417 | 2,845,789 |
| 2020 | 932,556 | 742,911 | 440,395 | 396,688 | 1,433 | 2,513,983 |
| 2021 | 1,052,819 | 1,050,441 | 428,285 | 443,889 | 9,841 | 2,985,275 |
| 2022 | 982,426 | 1,096,143 | 447,162 | 452,022 | 3,820 | 2,981,573 |

CITY OF NEWPORT

Property Tax Levies and Receivables
Last Ten Fiscal Years

| For Taxes Collectible | Original Levy Certified | | | Delinquent Taxes Receivable as of December 31, 2022 | |
|--------------------------|-------------------------|-----------------------|--------------|---|---------|
| | Local Levy | Fiscal Disparities | Total Levy | Amount | Percent |
| 2013 | \$ 2,063,428 | \$ 287,572 | \$ 2,351,000 | \$ — | — % |
| 2014 | 2,086,247 | 329,444 | 2,415,691 | — | — |
| 2015 | 2,071,451 | 358,965 | 2,430,416 | — | — |
| 2016 | 1,926,194 | 354,222 | 2,280,416 | 114 | — |
| 2017 | 1,978,394 | 347,600 | 2,325,994 | — | — |
| 2018 | 2,035,908 | 348,236 | 2,384,144 | — | — |
| 2019 | 2,130,875 | 348,635 | 2,479,510 | — | — |
| 2020 | 2,242,188 | 383,734 | 2,625,922 | 4,051 | 0.2 |
| 2021 | 2,554,575 | 368,425 | 2,923,000 | 12,346 | 0.4 |
| 2022 | 2,896,423 | 358,927 | 3,255,350 | 23,054 | 0.7 |
| | | | Total | \$ 39,565 | |

Source: Washington County

CITY OF NEWPORT

Tax Capacities
Last Ten Fiscal Years

| Taxes Payable Year | Tax Capacities | | Fiscal Disparities Adjustment to Tax Capacity | Taxable Tax Capacity |
|-----------------------|----------------|-------------------|--|-------------------------|
| | Real Property | Personal Property | | |
| 2013 | \$ 3,360,643 | \$ 137,604 | \$ (583,921) | \$ 2,914,326 |
| 2014 | 3,340,253 | 141,958 | (586,835) | 2,895,376 |
| 2015 | 3,408,448 | 155,320 | (603,423) | 2,960,345 |
| 2016 | 3,568,476 | 161,528 | (606,112) | 3,123,892 |
| 2017 | 3,715,972 | 169,782 | (605,053) | 3,280,701 |
| 2018 | 3,922,775 | 177,094 | (633,658) | 3,466,211 |
| 2019 | 4,152,219 | 171,150 | (609,941) | 3,713,428 |
| 2020 | 4,559,543 | 172,534 | (605,452) | 4,126,625 |
| 2021 | 5,251,534 | 191,824 | (713,251) | 4,730,107 |
| 2022 | 5,895,958 | 84,498 | (794,591) | 5,185,865 |

Note: Tax capacity is calculated by applying class rate (for specific property classifications such as residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: Washington County

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OTHER REQUIRED REPORTS

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

To the City Council and Management
City of Newport, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(continued)

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*.

CITY'S RESPONSES TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 8, 2023

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Newport, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2023.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as finding 2022-003. Also, 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

CITY'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response to the finding identified in our audit is described in the Schedule of Findings and Responses as finding 2022-003. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

(continued)

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota

June 8, 2023

CITY OF NEWPORT

Schedule of Findings and Responses Year Ended December 31, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2022-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – The City of Newport, Minnesota (the City) has limited segregation of duties over processing of cash receipts, cash disbursements, payroll, general journal entries, and utility billing transactions.

Context – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the City's office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual have responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the City continue its efforts to segregate duties as best it can within the limits of what the City considers to be cost-beneficial.

Corrective Action Plan

Actions Planned – The City will continue its efforts to segregate duties as best it can within the limits of what the City considers to be cost-beneficial.

Official Responsible – The City Administrator.

Planned Completion Date – December 31, 2023.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – The City Administrator will continue to monitor this deficiency and establish policies and procedures within the limits of the staff available.

CITY OF NEWPORT

Schedule of Findings and Responses (continued) Year Ended December 31, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2022-002 Preparation of Financial Statements

Criteria – Management is responsible for establishing and maintaining effective internal controls. These controls include the responsibility for preparation, or oversight of the preparation, of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – Other than the management's discussion and analysis, the City had our firm prepare the accompanying annual financial statements. Like many similarly-sized organizations, the City requested assistance from us with the drafting of the annual financial statements and related notes. Although this is common practice and may be the most practical and cost-effective method to complete this task, the fact that the City does not have the internal resources available to prepare the annual financial statements is considered a deficiency.

Context – This is a current year and prior year finding.

Cause – The City does not have the internal resources available to prepare its own annual financial statements, and has made the decision that from a cost-benefit perspective, it is more efficient to have the auditor prepare them than to contract with another outside party.

Effect – The auditor prepared the draft of the City's annual financial statements and disclosures.

Recommendation – We recommend that the City consider whether it is cost-beneficial to either provide training to its internal staff that would enable the City to prepare its own financial statements, or contract with another outside party to prepare them.

Corrective Action Plan

Actions Planned – The City will determine as to whether it is practical and cost-effective for the City or an outside contractor to prepare its financial statements in the future.

Official Responsible – The City Administrator.

Planned Completion Date – December 31, 2023.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – The City Administrator will continue to monitor this deficiency and establish policies and procedures within the limits of the staff available.

CITY OF NEWPORT

Schedule of Findings and Responses (continued) Year Ended December 31, 2022

FINDINGS – MINNESOTA LEGAL COMPLIANCE

2022-003 Retainage Testing

Criteria – Management is responsible for following and maintaining compliance with Minnesota Statutes § 15.72 regarding Contracting – Bid Laws set by the state of Minnesota with respect to retainage. For a contract for public improvement, a public contracting agency may withhold up to 5 percent of any progress payment as retainage to ensure satisfactory performance. If it does so, it must release the retainage no more than 60 days after substantial completion.

Condition – The City did not release retainage within 60 days of substantial completion on 3 of 4 projects tested, that were substantially completed in the current year.

Context – This is a current year finding.

Cause – The City did not properly release retainage within 60 days of substantial completion on three of the projects tested.

Effect – The contractors contracted for three of the projects tested did not receive their retainage payment timely.

Recommendation – We recommend that the City review its procedures related to retainage requirements to ensure retainage is released or reduced in amount, within 60 days of substantial completion of a project.

Corrective Action Plan

Actions Planned – The City will monitor projects with contractors to ensure timely release of retainage.

Official Responsible – The City Administrator.

Planned Completion Date – December 31, 2023.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – The City Administrator will monitor this deficiency and establish policies and procedures to ensure compliance with this requirement.

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