



Annual Financial Report

City of Henderson

Henderson, Minnesota

For the year ended December 31, 2022



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

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	40
Proprietary Funds	
Statement of Net Position	41
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	44
Notes to the Financial Statements	47
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	74
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	74
Notes to the Required Supplementary Information - General Employees Retirement Fund	75
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	77
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	77
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	78
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	83
Special Revenue Funds	
Combining Balance Sheet	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	85

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City of Henderson, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2022

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules (Continued)	
General Fund	
Comparative Balance Sheets	86
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	87
Economic Development Authority Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	91
Debt Service Fund	
Combining Balance Sheet	92
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	94
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	96
Other Required Reports	
Independent Auditor's Report on Minnesota Legal Compliance	99
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 <i>Government Auditing Standards</i>	100
Schedule of Findings and Responses	103

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INTRODUCTORY SECTION

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Swenson	Mayor	12/31/22
Janet Boese	Council	12/31/22
Randall Tiegs	Council	12/31/22
Steve Sellner	Council	12/31/24
Amy Hardel	Council	12/31/24

APPOINTED OFFICIALS

Lon Berberich	Administrator/Clerk-Treasurer
Tim Pautsch	Deputy Administrator/Clerk-Treasurer

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FINANCIAL SECTION
CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Henderson, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Henderson, 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 cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and related noted disclosures starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Mankato, Minnesota
February 23, 2023

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Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and the deferred inflows of resources at the close of the most recent fiscal year by \$4,540,967 (net position).
- The City's total net position increased by \$423,248 as compared to an increase of \$13,711 in the prior year. This change is mostly attributable to less expenses related to public safety in the current year due to flood response and COVID-19 funding.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$492,058, an increase of \$375,242 in comparison with the prior year mainly due to the issuance of notes in the amount of \$240,000. Restricted fund balances at the end of the year totaled \$6,001 for police forfeitures, \$25,605 for small cities assistance and \$218,230 for debt service. Committed fund balance at year end totaled \$11,206 for economic development and \$42,844 for library operations. Nonspendable fund balance amounts to \$4,168 while the remaining balance consists of an unassigned fund balance of \$184,004.
- The City's total debt decreased by \$685,669, or 10.1 percent, during the current fiscal year due to regularly scheduled bond payments net of a \$240,000 note issuance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

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

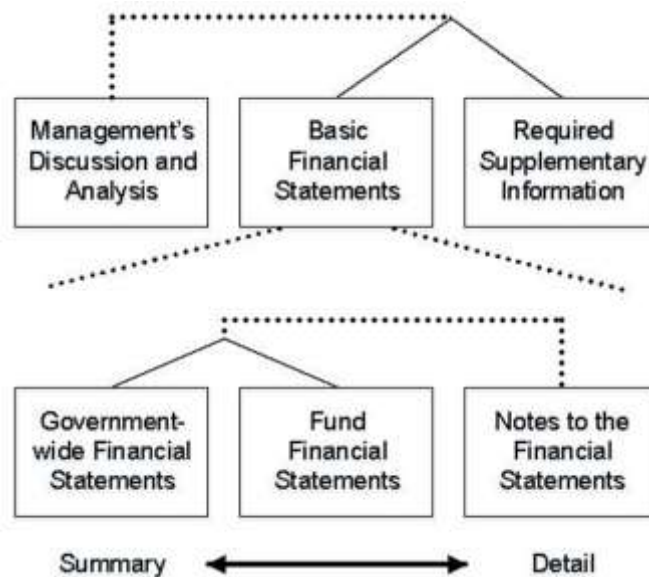


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority for which the City is financially accountable. The Economic Development Authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 31 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and TH93 Levee capital project funds, all of which are considered to be major funds. Data from the other 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 or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and environmental services operations.

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

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Henderson's share of net pension liabilities (assets) for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 74 of this report.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 85 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of liabilities by \$4,540,967 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (96.1 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Henderson's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Current and Other Assets	\$ 773,243	\$ 456,636	\$ 316,607	\$ 1,655,513	\$ 2,272,699	\$ (617,186)
Capital Assets	4,572,517	4,584,654	(12,137)	3,989,908	4,220,994	(231,086)
Total Assets	5,345,760	5,041,290	304,470	5,645,421	6,493,693	(848,272)
Deferred Outflows of Resources	325,119	250,774	74,345	17,272	26,826	(9,554)
Noncurrent Liabilities	1,581,058	1,278,564	302,494	5,047,088	5,689,554	(642,466)
Other Liabilities	61,035	81,378	(20,343)	48,934	335,227	(286,293)
Total Liabilities	1,642,093	1,359,942	282,151	5,096,022	6,024,781	(928,759)
Deferred Inflows of Resources	47,203	272,251	(225,048)	7,287	37,890	(30,603)
Net Position						
Net investment in capital assets	4,027,517	3,879,654	147,863	336,846	178,538	158,308
Restricted	31,606	33,105	(1,499)	-	-	-
Unrestricted	(77,540)	(252,888)	175,348	222,538	279,310	(56,772)
Total Net Position	\$ 3,981,583	\$ 3,659,871	\$ 321,712	\$ 559,384	\$ 457,848	\$ 101,536

An additional portion of the City's net position (0.7 percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* (3.2 percent) represents funds that may be used to meet the City's ongoing obligations to citizens and creditors.

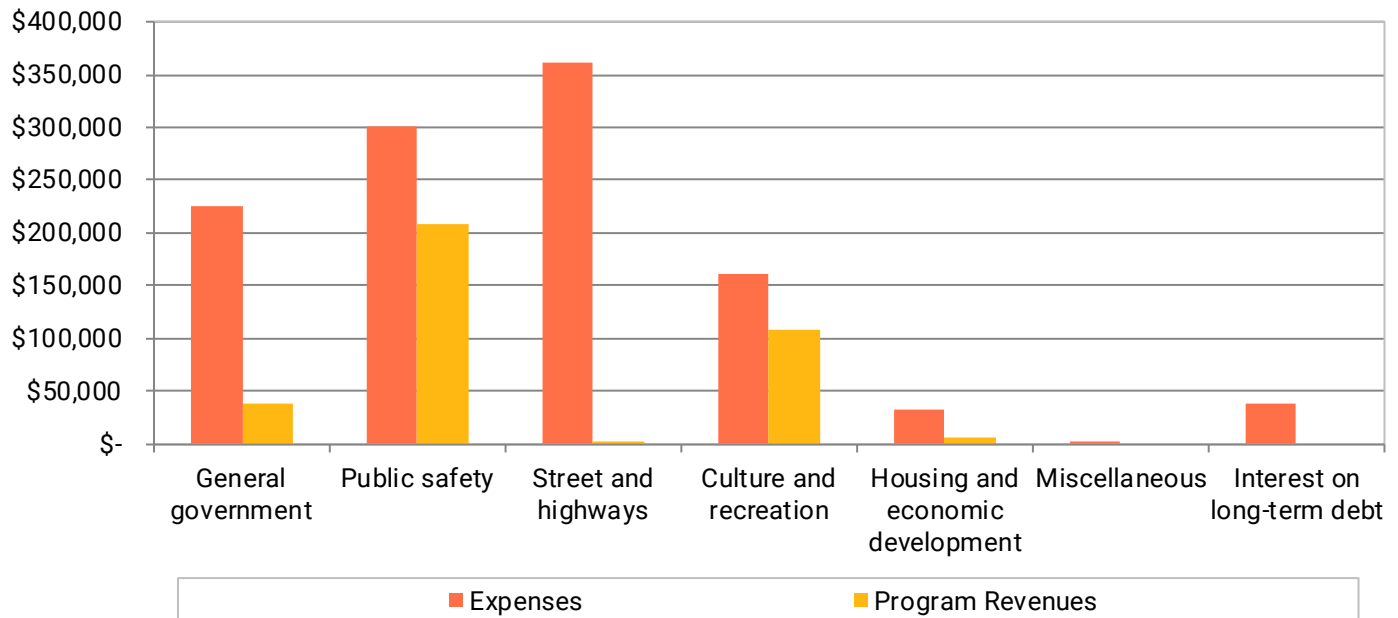
Governmental Activities. Governmental activities increased the City's net position by \$321,712. Key elements of this increase are as follows:

City of Henderson's Changes in Net Position

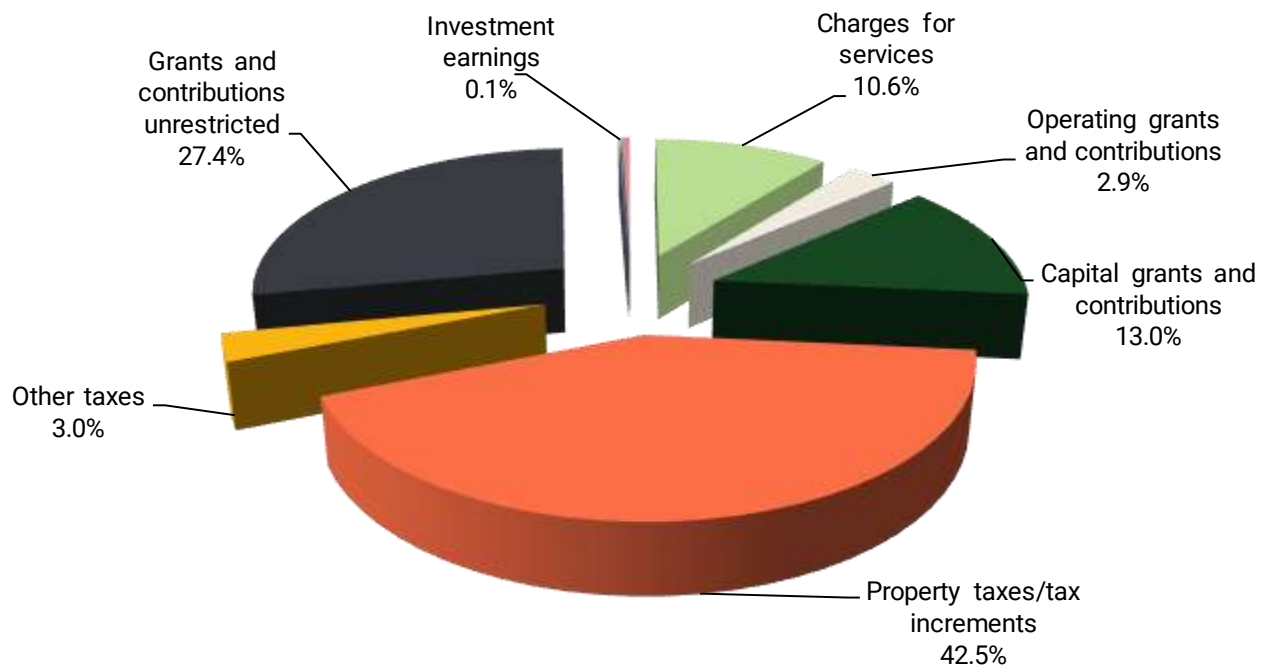
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 60,514	\$ 28,523	\$ 31,991	\$ 628,059	\$ 613,088	\$ 14,971
Operating grants and contributions	40,052	95,476	(55,424)	-	-	-
Capital grants and contributions	176,725	59,661	117,064	9,760	16,808	(7,048)
General revenues						
Property taxes/tax increments	579,843	544,820	35,023	-	-	-
Other taxes	40,502	42,596	(2,094)	-	-	-
Grants and contributions not restricted to specific programs	373,271	314,473	58,798	-	41,488	(41,488)
Investment earnings	1,019	1,345	(326)	19,608	22,708	(3,100)
Other revenue	6,787	-	6,787	-	-	-
Total Revenues	<u>1,278,713</u>	<u>1,086,894</u>	<u>191,819</u>	<u>657,427</u>	<u>694,092</u>	<u>(36,665)</u>
Expenses						
General government	225,807	192,994	32,813	-	-	-
Public safety	301,707	505,266	(203,559)	-	-	-
Streets and highways	361,359	349,064	12,295	-	-	-
Culture and recreation	161,077	115,359	45,718	-	-	-
Economic development	32,791	25,685	7,106	-	-	-
Miscellaneous	626	627	(1)	-	-	-
Interest on long-term debt	37,163	40,388	(3,225)	-	-	-
Water	-	-	-	169,797	237,621	(67,824)
Sewer	-	-	-	276,630	278,233	(1,603)
Storm water	-	-	-	29,464	22,038	7,426
Total Expenses	<u>1,120,530</u>	<u>1,229,383</u>	<u>(108,853)</u>	<u>475,891</u>	<u>537,892</u>	<u>(62,001)</u>
Increase (Decrease) in Net Assets Before Transfers	158,183	(142,489)	300,672	181,536	156,200	25,336
Special Item - Transfer of Operations	83,529	-	83,529	-	-	-
Transfers	<u>80,000</u>	<u>252,000</u>	<u>(172,000)</u>	<u>(80,000)</u>	<u>(252,000)</u>	<u>172,000</u>
Change in Net Position	321,712	109,511	212,201	101,536	(95,800)	197,336
Net Position - January 1	<u>3,659,871</u>	<u>3,550,360</u>	<u>109,511</u>	<u>457,848</u>	<u>553,648</u>	<u>(95,800)</u>
Net Position - December 31	<u>\$ 3,981,583</u>	<u>\$ 3,659,871</u>	<u>\$ 321,712</u>	<u>\$ 559,384</u>	<u>\$ 457,848</u>	<u>\$ 101,536</u>

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



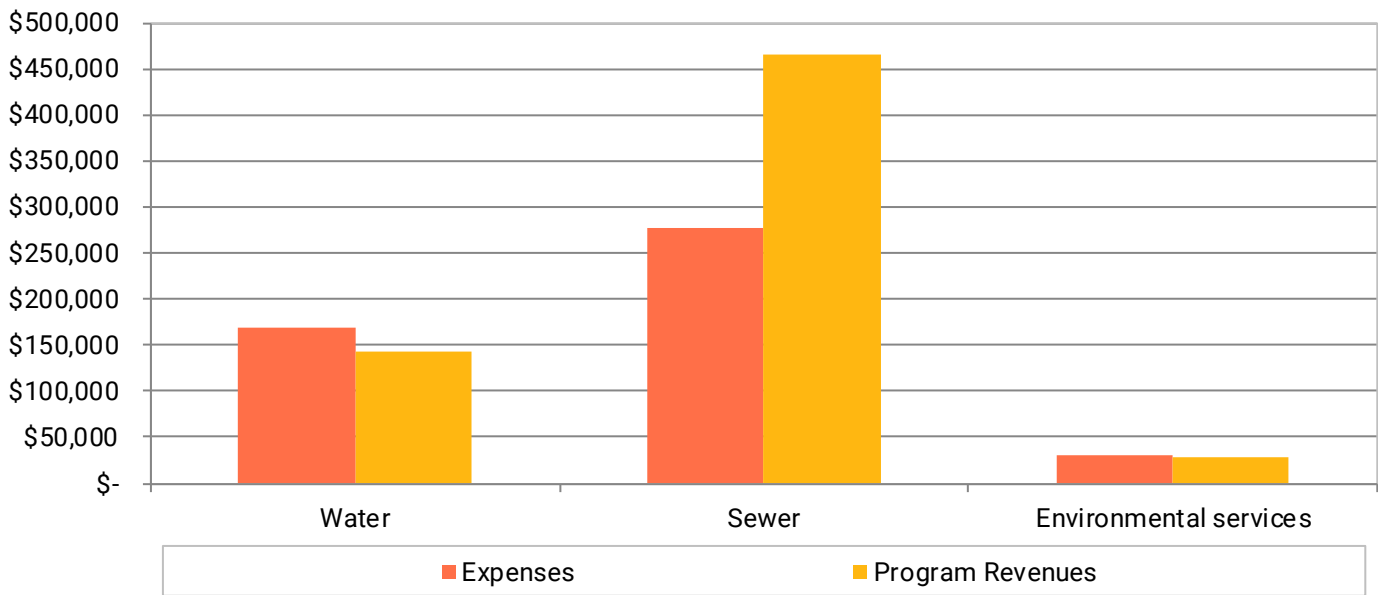
Revenues by Source - Governmental Activities



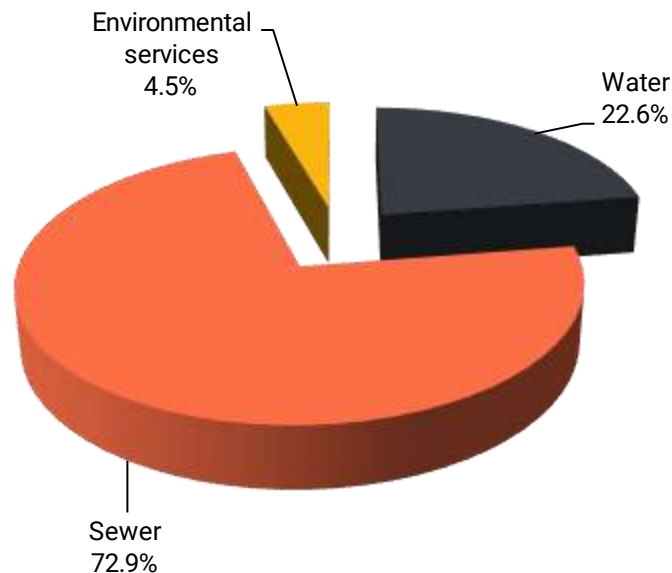
Business-type Activities. Business-type activities increased the City's net position by \$101,536. Key elements of this increase are as follows:

- Depreciation expense for the enterprise funds in 2022 was \$102,919.
- Total operating expenses decreased by \$62,001 which is mainly attributable to the water tower repair project.
- Charges for services for business-type activities increased by \$14,971.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

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

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

General Fund - The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$237,529. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Total unassigned fund balance of \$201,755 represents 26.9 percent of fund expenditures.

The fund balance of the City's General fund increased by \$12,708 during the current fiscal year. During 2022, actual revenues exceeded budgeted amounts by \$11,834 while expenditures were over budgeted amounts by \$35,626. Increases in fund balances during the year were mainly attributable to one time payments from Sibley County related to transfer of library operations back to the City which is reported as a special item.

Debt Service Fund - The Debt Service fund has a total fund balance of \$218,230. The net increase in fund balance during the current year in the Debt Service fund was \$340,017, the majority of which is due to an issuance of \$240,000 in notes payable. The entire amount of fund balance is restricted for debt service.

TH93 Levee Fund - The capital project fund ended the year with fund balances of \$0. Project costs for levee improvements amount to \$166,591 which were offset by state grant funding of the same amount.

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

Unrestricted net position of the enterprise funds at the end of the year had a balance of \$222,538. The total increase in net position for the funds was \$101,536. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted amounts by \$11,834 mainly due to charitable gambling contributions while expenditures were over budgeted amounts by \$35,626 mainly due to one time capital expenditures.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$8,562,425 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was 2.8 percent (a 0.3 percent decrease for governmental activities and a 5.5 percent decrease for business-type activities).

Major capital asset events during the year included the following:

- The sewer infiltration and water improvement projects were completed during 2022 at a cost of \$2,577,444.
- A furnace replacement at city hall totaling \$20,000.
- An additional \$164,411 in levee project costs.

City of Henderson's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 410,096	\$ 410,096	\$ -	\$ 4,500	\$ 4,500	\$ -
Buildings	682,590	695,684	(13,094)	-	-	-
Infrastructure	3,051,998	3,225,733	(173,735)	3,967,107	1,492,235	2,474,872
Machinery and Equipment	109,087	119,243	(10,156)	18,301	-	18,301
Vehicles	37,738	63,910	(26,172)	-	-	-
Construction In Progress	281,008	69,988	211,020	-	2,724,259	(2,724,259)
Total	\$ 4,572,517	\$ 4,584,654	\$ (12,137)	\$ 3,989,908	\$ 4,220,994	\$ (231,086)

Additional information on the City's capital assets can be found in Note 3C starting on page 57 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,649,000 and an additional \$285,669 in notes payable. Of the bonded debt amount, \$70,000 is special assessment debt, \$4,811,000 is revenue debt and \$768,000 is general obligation debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Henderson's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
General Obligation Bonds	\$ 768,000	\$ 970,000	\$ (202,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	70,000	135,000	(65,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	4,811,000	5,424,000	(613,000)
Notes Payable	240,000	-	240,000	45,669	91,338	(45,669)
Bond Premium	-	-	-	136,640	136,640	-
Total	\$ 1,078,000	\$ 1,105,000	\$ (27,000)	\$ 4,993,309	\$ 5,651,978	\$ (658,669)

The City's total debt decreased by \$685,669 (10.1 percent) during the current fiscal year due to scheduled bond and note payments.

Additional information on the City's long-term debt can be found in Note 3E starting on page 59 of this report.

Economic Factors and Next Year's Budgets and Rates

- Overall property valuations within the City increased approximately 1.8 percent in 2022 from 2021.
- The unemployment rate for Sibley County as of December 2022 was 4.1 percent, up from 3.7 percent the prior year. The State's average unemployment rate for the year was 2.5 percent and the national average rate was 3.4 percent.
- Inflationary trends in the region compare favorably to state and national indices.

All of these factors were considered in preparing the City's budget for fiscal years 2022 and 2023.

Rates will continue to be reviewed and adjusted accordingly. Conservation rates for water/sanitary sewer charges were implemented on August 1, 2010. Fund 603, which previously collected and paid for refuse and recycling activities, was closed out in 2010; the current refuse hauler is now charging and collecting for these services. The contract was bought out by Republic Services and a new agreement entered into through 2024. At the January 18, 2023 meeting the Henderson City Council approved a water rate increase of \$10 per month effective January 1, 2023 and another \$10 per month effective January 1, 2024.

All loans proceeds have been deposited to the Economic Development Authority fund and are either paid in full or current. Due to the fact the MNCS TIF loan fund was closed in 2010 future loan repayments and bond debt activity will occur in this fund. There are currently two active loans in this fund.

The City of Henderson has a number of projects planned for the upcoming years. Funds are continually being put aside for the following projects: the Water Improvements project, the TH93 Levee Project and the Henderson Trail Project.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrator-Clerk-Treasurer, City of Henderson, 600 Main Street, Henderson, Minnesota 56044 or emailed at lonber3@mchsi.com.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Henderson, Minnesota

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 400,583	\$ 167,508	\$ 568,091
Cash held by fiscal agent	10,200	-	10,200
Receivables			
Delinquent taxes	9,067	-	9,067
Accounts	16,318	104,082	120,400
Special assessments	-	276,903	276,903
Intergovernmental	164,659	2,020	166,679
Loans	8,655	-	8,655
Notes	159,593	1,105,000	1,264,593
Prepaid items	4,168	-	4,168
Capital assets			
Nondepreciable	691,104	4,500	695,604
Depreciable, net of accumulated depreciation	3,881,413	3,985,408	7,866,821
Total Assets	<u>5,345,760</u>	<u>5,645,421</u>	<u>10,991,181</u>
 Deferred Outflows of Resources			
Deferred pension resources	<u>325,119</u>	<u>17,272</u>	<u>342,391</u>
 Liabilities			
Accounts payable	37,794	9,216	47,010
Due to other governments	-	321	321
Accrued interest payable	14,866	39,397	54,263
Unearned revenue	8,375	-	8,375
Noncurrent liabilities			
Due within one year			
Long-term liabilities	300,196	614,795	914,991
Due in more than one year			
Long-term liabilities	800,000	4,378,514	5,178,514
Net pension liability	480,862	53,779	534,641
Total Liabilities	<u>1,642,093</u>	<u>5,096,022</u>	<u>6,738,115</u>
 Deferred Inflows of Resources			
Deferred pension resources	<u>47,203</u>	<u>7,287</u>	<u>54,490</u>
 Net Position			
Net investment in capital assets	4,027,517	336,846	4,364,363
Restricted			
Police forfeitures	6,001	-	6,001
Small cities assistance	25,605	-	25,605
Unrestricted	<u>(77,540)</u>	<u>222,538</u>	<u>144,998</u>
Total Net Position	<u>\$ 3,981,583</u>	<u>\$ 559,384</u>	<u>\$ 4,540,967</u>

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

City of Henderson, Minnesota
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 225,807	\$ 35,183	\$ 3,161	\$ -
Public safety	301,707	2,212	29,391	176,591
Streets and highways	361,359	-	-	134
Culture and recreation	161,077	23,046	2,000	-
Economic development	32,791	73	5,500	-
Miscellaneous	626	-	-	-
Interest and other costs	37,163	-	-	-
Total Governmental Activities	<u>1,120,530</u>	<u>60,514</u>	<u>40,052</u>	<u>176,725</u>
Business-type Activities				
Water	169,797	143,269	-	-
Sewer	276,630	455,888	-	9,760
Environmental services	29,464	28,902	-	-
Total Business-type Activities	<u>475,891</u>	<u>628,059</u>	<u>-</u>	<u>9,760</u>
Totals	<u>\$ 1,596,421</u>	<u>\$ 688,573</u>	<u>\$ 40,052</u>	<u>\$ 186,485</u>

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for specific purposes
Property taxes, levied for debt service
Tax increments
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues

Special Item - Transfer of Operations

Transfers

Total General Revenues, Special Item and Transfers

Changes in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (187,463)		\$ (187,463)
(93,513)		(93,513)
(361,225)		(361,225)
(136,031)		(136,031)
(27,218)		(27,218)
(626)		(626)
<u>(37,163)</u>		<u>(37,163)</u>
<u>(843,239)</u>		<u>(843,239)</u>
-	\$ (26,528)	(26,528)
-	189,018	189,018
-	(562)	(562)
<u>-</u>	<u>161,928</u>	<u>161,928</u>
<u>(843,239)</u>	<u>161,928</u>	<u>(681,311)</u>
256,239	-	256,239
20,000	-	20,000
296,000	-	296,000
7,604	-	7,604
40,502	-	40,502
373,271	-	373,271
1,019	19,608	20,627
6,787	-	6,787
83,529	-	83,529
80,000	(80,000)	-
<u>1,164,951</u>	<u>(60,392)</u>	<u>1,104,559</u>
321,712	101,536	423,248
<u>3,659,871</u>	<u>457,848</u>	<u>4,117,719</u>
<u>\$ 3,981,583</u>	<u>\$ 559,384</u>	<u>\$ 4,540,967</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Henderson, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Capital Project TH93 Levee	Other Governmental Funds	Total
Assets					
Cash and temporary investments	\$ 195,072	\$ 207,993	\$ (3,144)	\$ 662	\$ 400,583
Cash held by fiscal agent	-	10,200	-	-	10,200
Receivables					
Delinquent taxes	9,067	-	-	-	9,067
Accounts	16,318	-	-	-	16,318
Intergovernmental	100,199	37	27,924	36,499	164,659
Loans	-	-	-	8,655	8,655
Note	-	159,593	-	-	159,593
Prepaid items	4,168	-	-	-	4,168
Total Assets	\$ 324,824	\$ 377,823	\$ 24,780	\$ 45,816	\$ 773,243
Liabilities					
Accounts payable	\$ 7,162	\$ -	\$ 24,780	\$ 5,852	\$ 37,794
Unearned revenue	4,710	-	-	3,665	8,375
Total Liabilities	11,872	-	24,780	9,517	46,169
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	9,067	-	-	-	9,067
Intergovernmental	41,356	-	-	-	41,356
Pledges	25,000	-	-	-	25,000
Notes	-	159,593	-	-	159,593
Total Deferred Inflows of Resources	75,423	159,593	-	-	235,016
Fund Balances					
Nonspendable	4,168	-	-	-	4,168
Restricted					
Police forfeiture	6,001	-	-	-	6,001
Small cities assistance	25,605	-	-	-	25,605
Debt service	-	218,230	-	-	218,230
Committed					
Economic development	-	-	-	11,206	11,206
Library	-	-	-	42,844	42,844
Unassigned	201,755	-	-	(17,751)	184,004
Total Fund Balances	237,529	218,230	-	36,299	492,058
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 324,824	\$ 377,823	\$ 24,780	\$ 45,816	\$ 773,243

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

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

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

Total Fund Balances - Governmental Funds	\$ 492,058
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	4,572,517
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(22,196)
Bonds payable	(1,078,000)
Net pension liability	(480,862)
Long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent property taxes	9,067
Intergovernmental	41,356
Pledges	25,000
Notes	159,593
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	325,119
Deferred inflows of pension resources	(47,203)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(14,866)</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,981,583</u></u>

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

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

	General	Debt Service	Capital Project TH93 Levee	Other Governmental Funds	Total
Revenues					
Taxes	\$ 291,439	\$ 303,604	\$ -	\$ 20,000	\$ 615,043
Special assessments	-	1,609	-	-	1,609
Licenses and permits	4,750	-	-	-	4,750
Intergovernmental	353,549	-	166,591	56,479	576,619
Charges for services	35,088	-	-	73	35,161
Fines and forfeits	2,062	-	-	-	2,062
Investment earnings	728	-	-	-	728
Miscellaneous	38,818	31,492	-	6,891	77,201
Total Revenues	<u>726,434</u>	<u>336,705</u>	<u>166,591</u>	<u>83,443</u>	<u>1,313,173</u>
Expenditures					
Current					
General government	172,681	12,804	-	-	185,485
Public safety	244,916	-	-	-	244,916
Streets and highways	166,178	-	-	20,725	186,903
Culture and recreation	79,835	-	-	6,040	85,875
Economic development	-	-	-	32,791	32,791
Capital outlay					
General government	22,275	-	-	-	22,275
Public safety	6,610	-	166,591	-	173,201
Streets and highways	11,018	-	-	-	11,018
Culture and recreation	45,208	-	-	49,154	94,362
Debt service					
Principal	-	267,000	-	-	267,000
Interest and other costs	750	36,884	-	-	37,634
Total Expenditures	<u>749,471</u>	<u>316,688</u>	<u>166,591</u>	<u>108,710</u>	<u>1,341,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,037)</u>	<u>20,017</u>	<u>-</u>	<u>(25,267)</u>	<u>(28,287)</u>
Other Financing Sources (Uses)					
Notes issued	-	240,000	-	-	240,000
Transfers in	-	80,000	-	-	80,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
Special Item					
Transfer of Operations	<u>35,745</u>	<u>-</u>	<u>-</u>	<u>47,784</u>	<u>83,529</u>
Net Change in Fund Balances	12,708	340,017	-	22,517	375,242
Fund Balances, January 1	<u>224,821</u>	<u>(121,787)</u>	<u>-</u>	<u>13,782</u>	<u>116,816</u>
Fund Balances, December 31	<u>\$ 237,529</u>	<u>\$ 218,230</u>	<u>\$ -</u>	<u>\$ 36,299</u>	<u>\$ 492,058</u>

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

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

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

Net Change in Fund Balances - Governmental Funds	\$ 375,242
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	251,865
Depreciation expense	(264,002)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	267,000
Debt issued or incurred	(240,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	471
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	5,302
Special assessments	(1,475)
Other	(42,590)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	312
Long-term pension activity is not reported in governmental funds.	
Pension expense	(34,716)
Direct aid contributions	4,303
Change in Net Position - Governmental Activities	<u>\$ 321,712</u>

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

City of Henderson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual -
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 297,900	\$ 297,900	\$ 291,439	\$ (6,461)
Licenses and permits	3,000	3,000	4,750	1,750
Intergovernmental	347,750	344,000	353,549	9,549
Charges for services	38,000	42,000	35,088	(6,912)
Fines and forfeits	3,000	3,000	2,062	(938)
Investment earnings	600	700	728	28
Miscellaneous	22,000	24,000	38,818	14,818
Total Revenues	<u>712,250</u>	<u>714,600</u>	<u>726,434</u>	<u>11,834</u>
Expenditures				
Current				
General government	194,910	183,760	172,681	11,079
Public safety	279,690	266,190	244,916	21,274
Streets and highways	152,665	153,965	166,178	(12,213)
Culture and recreation	92,190	106,430	79,835	26,595
Capital outlay				
General government	-	-	22,275	(22,275)
Public safety	-	-	6,610	(6,610)
Streets and highways	2,000	2,000	11,018	(9,018)
Culture and recreation	-	-	45,208	(45,208)
Debt service				
Interest and other costs	1,500	1,500	750	750
Total Expenditures	<u>722,955</u>	<u>713,845</u>	<u>749,471</u>	<u>(35,626)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(10,705)	755	(23,037)	(23,792)
Special Item				
Transfer of Operations	<u>-</u>	<u>-</u>	<u>35,745</u>	<u>35,745</u>
Net Changes in Fund Balances	(10,705)	755	12,708	11,953
Fund Balances, January 1	<u>224,821</u>	<u>224,821</u>	<u>224,821</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 214,116</u>	<u>\$ 225,576</u>	<u>\$ 237,529</u>	<u>\$ 11,953</u>

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

City of Henderson, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2022

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602/604 Sewer Utility	Nonmajor 605 Environmental Services	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 64,643	\$ 82,273	\$ 20,592	\$ 167,508
Receivables				
Accounts	22,740	76,323	5,019	104,082
Special assessments	-	21,373	-	21,373
Intergovernmental	335	1,630	55	2,020
Notes	-	214,000	-	214,000
Total Current Assets	<u>87,718</u>	<u>395,599</u>	<u>25,666</u>	<u>508,983</u>
Noncurrent Assets				
Special assessments receivable	-	255,530	-	255,530
Notes receivable	-	891,000	-	891,000
Capital assets				
Land	4,500	-	-	4,500
Infrastructure	2,865,894	3,940,057	157,715	6,963,666
Machinery and equipment	38,233	-	2,933	41,166
Less accumulated depreciation	(1,866,463)	(1,080,207)	(72,754)	(3,019,424)
Total Capital Assets	<u>1,042,164</u>	<u>2,859,850</u>	<u>87,894</u>	<u>3,989,908</u>
(Net of Accumulated Depreciation)				
Total Noncurrent Assets	<u>1,042,164</u>	<u>4,006,380</u>	<u>87,894</u>	<u>5,136,438</u>
Total Assets	<u>1,129,882</u>	<u>4,401,979</u>	<u>113,560</u>	<u>5,645,421</u>
Deferred Outflows of Resources				
Deferred pension resources	9,724	5,966	1,582	17,272
Liabilities				
Current Liabilities				
Accounts payable	1,303	913	7,000	9,216
Due to other governments	141	180	-	321
Accrued interest payable	12,165	27,112	120	39,397
Notes payable	9,795	-	-	9,795
Bonds payable	257,413	340,787	6,800	605,000
Total Current Liabilities	<u>280,817</u>	<u>368,992</u>	<u>13,920</u>	<u>663,729</u>
Noncurrent Liabilities				
Notes payable	35,874	-	-	35,874
Bonds payable	853,978	3,488,662	-	4,342,640
Net pension liability	30,318	18,544	4,917	53,779
Total Noncurrent Liabilities	<u>920,170</u>	<u>3,507,206</u>	<u>4,917</u>	<u>4,432,293</u>
Total Liabilities	<u>1,200,987</u>	<u>3,876,198</u>	<u>18,837</u>	<u>5,096,022</u>
Deferred Inflows of Resources				
Deferred pension resources	4,105	2,515	667	7,287
Net Position				
Net investment in capital assets	20,555	235,197	81,094	336,846
Unrestricted	(86,041)	294,035	14,544	222,538
Total Net Position	<u>\$ (65,486)</u>	<u>\$ 529,232</u>	<u>\$ 95,638</u>	<u>\$ 559,384</u>

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

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

	Business-type Activities - Enterprise Funds			
	601	602/604	Nonmajor	
	Water	Sewer	605	
	Utility	Utility	Environmental	Total
			Services	
Operating Revenues				
Charges for services	\$ 142,623	\$ 455,557	\$ 28,790	\$ 626,970
Operating Expenses				
Salaries and benefits	33,527	39,161	10,024	82,712
Supplies and repairs	13,939	1,882	114	15,935
Other services and charges	16,043	111,607	12,946	140,596
Insurance	2,745	1,166	804	4,715
Utilities	16,865	13,131	-	29,996
Depreciation	53,483	44,179	5,257	102,919
Total Operating Expenses	136,602	211,126	29,145	376,873
Operating Income (Loss)	6,021	244,431	(355)	250,097
Nonoperating Revenues (Expenses)				
Other income	134	82	22	238
Investment earnings	-	19,608	-	19,608
Rental income	512	249	90	851
Interest and other costs	(33,195)	(65,504)	(319)	(99,018)
Total Nonoperating Revenues (Expenses)	(32,549)	(45,565)	(207)	(78,321)
Income (Loss) Before Contributions and Transfers	(26,528)	198,866	(562)	171,776
Capital Contributions	-	9,760	-	9,760
Transfers In	110,000	-	-	110,000
Transfers Out	-	(190,000)	-	(190,000)
Changes in Net Position	83,472	18,626	(562)	101,536
Net Position, January 1	(148,958)	510,606	96,200	457,848
Net Position, December 31	\$ (65,486)	\$ 529,232	\$ 95,638	\$ 559,384

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

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

	Business-type Activities - Enterprise Funds			
	601	602/604	Nonmajor 605	
	Water Utility	Sewer Utility	Environmental Services	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 140,095	\$ 443,675	\$ 27,241	\$ 611,011
Payments to suppliers and vendors	(56,661)	(144,189)	(6,864)	(207,714)
Payments to and on behalf of employees	(38,090)	(43,230)	(6,000)	(87,320)
Other receipts	646	331	112	1,089
Net Cash Provided (Used) by Operating Activities	45,990	256,587	14,489	317,066
Cash Flows from				
Noncapital Financing Activities				
Transfers from other funds	110,000	-	-	110,000
Transfers to other funds	-	(190,000)	-	(190,000)
Net Cash Provided (Used) by Noncapital Financing Activities	110,000	(190,000)	-	(80,000)
Cash Flows from Capital and Related				
Financing Activities				
Special assessments received	-	37,971	-	37,971
Principal paid on long-term debt	(314,671)	(126,198)	(6,800)	(447,669)
Interest and fees paid on long-term debt	(36,315)	(68,720)	(440)	(105,475)
Acquisition of capital assets	(68,436)	(66,761)	-	(135,197)
Net Cash Provided (Used) by Capital and Related Financing Activities	(419,422)	(223,708)	(7,240)	(650,370)
Cash Flows From Investing Activities				
Interest received on investments	-	19,608	-	19,608
Net Increase (Decrease) in Cash and Cash Equivalents	(263,432)	(137,513)	7,249	(393,696)
Cash and Cash Equivalents, January 1	328,075	219,786	13,343	561,204
Cash and Cash Equivalents, December 31	<u>\$ 64,643</u>	<u>\$ 82,273</u>	<u>\$ 20,592</u>	<u>\$ 167,508</u>

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

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

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602/604 Sewer Utility	605 Environmental Services	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 6,021	\$ 244,431	\$ (355)	\$ 250,097
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	646	331	112	1,089
Depreciation	53,483	44,179	5,257	102,919
(Increase) decrease in assets				
Accounts receivable	(2,638)	(12,698)	(1,567)	(16,903)
Due from other governments	244	898	40	1,182
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	6,463	4,673	(1,582)	9,554
Increase (decrease) in liabilities				
Accounts payable	(6,962)	(16,403)	7,000	(16,365)
Due to other governments	(107)	-	-	(107)
Net pension liability	7,592	3,694	4,917	16,203
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(18,752)	(12,518)	667	(30,603)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 45,990</u>	 <u>\$ 256,587</u>	 <u>\$ 14,489</u>	 <u>\$ 317,066</u>
Schedule of Noncash Investing, Capital And Financing Activities				
Note receivable/on-behalf debt payment	\$ -	\$ 211,000	\$ -	\$ 211,000
Construction in progress written off	\$ 20,220	\$ 231,069	\$ -	\$ 251,289

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

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City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Henderson (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component unit presented has a December 31 year end.

Blended Component Unit. The Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The EDA serves the citizens of the City and is governed by a Board comprised of the City's elected Council. The EDA is reported as a blended special revenue fund. Separate financial statements are not issued for the EDA.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the 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 fees and charges for support. Likewise, the City is reported separately from certain legally separate *component units* for which the City is financially accountable.

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

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

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The *TH93 Levee fund* accounts for the costs related to the levee improvement project.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

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

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

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

Deposits and Investments (Cash and Cash Equivalents)

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. All trade receivables are shown net of an allowance for uncollectible accounts. There was no allowance for uncollectible accounts at December 31, 2022 because the City has the ability to certify unpaid utility bills to property owners' taxes.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

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

Interfund Receivables and Payables

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

Note Receivable

The City has a note receivable with the Henderson Area Fire District related to a fire truck purchase in 2018. As of December 31, 2022, the outstanding balance on the note was \$159,593. The City has a note receivable with the City of Le Sueur related to debt payments owed on the City's 2007 PFA wastewater note for system improvements to the Minnesota River Valley Public Utilities Commission. As of December 31, 2022, the outstanding balance on the note was \$1,105,000.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the actual cost of the infrastructure to be capitalized by using available records). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Buildings and Land Improvements	15 - 20
System Improvements/Infrastructure	30 - 50
Machinery and Equipment	10 - 30
Vehicles	5 - 50

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or 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. During the year 2022, the City calculated its OPEB liability using the alternative measurement method and determined that the calculated liability was immaterial. At this point, the City anticipates it will not incur material future explicit or implicit OPEB costs for its employees and therefore, no liability will be recorded.

Long-term Obligations

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

	Public Employees Retirement Association of Minnesota (PERA)		Total
	GERP	PEPFP	
Pension Expense	\$ 14,956	\$ 44,558	\$ 59,514

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, pledges and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

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

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

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

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City has formally adopted a fund balance policy for the General fund. The City will maintain an unassigned fund balance in the General fund of an amount not less than 20 percent of the next year's budgeted expenditures of the General fund.

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the following funds:

- General fund
- Special revenue fund
- Economic Development Authority

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk-Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures over Appropriations
General	\$ 713,845	\$ 749,471	\$ 35,626
Special Revenue			
Economic Development Authority	24,986	32,791	7,805

These excess expenditures were funded by revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2022:

Fund	Amount
Enterprise Funds	
Water Utility	\$ 65,486
Capital Projects	
Henderson Trail	17,751

The above deficits will be eliminated through future charges for services, grant dollars and transfers from other funds.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments (Cash Deposits with Financial Institutions)

Deposits

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$568,091 and the bank balance was \$675,944. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name. Prepaid bond payments in the governmental funds are reported as cash held with fiscal agent in the amount of \$10,200.

B. Loans Receivable

Economic Development Loans

The City currently has two loans to local businesses totaling \$8,655 at December 31, 2022. The loans are secured by real estate and paid back by annual payments with an interest rate of 3.0 percent over 10 years.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 410,096	\$ -	\$ -	\$ 410,096
Construction in progress	69,988	211,020	-	281,008
Total Capital Assets not Being Depreciated	<u>480,084</u>	<u>211,020</u>	<u>-</u>	<u>691,104</u>
Capital Assets Being Depreciated				
Buildings	1,860,711	34,866	-	1,895,577
Infrastructure	7,376,179	-	-	7,376,179
Machinery and equipment	237,842	5,979	-	243,821
Vehicles	261,337	-	-	261,337
Total Capital Assets Being Depreciated	<u>9,736,069</u>	<u>40,845</u>	<u>-</u>	<u>9,776,914</u>
Less Accumulated Depreciation for				
Buildings	(1,165,027)	(47,960)	-	(1,212,987)
Infrastructure	(4,150,446)	(173,735)	-	(4,324,181)
Machinery and equipment	(118,599)	(16,135)	-	(134,734)
Vehicles	(197,427)	(26,172)	-	(223,599)
Total Accumulated Depreciation	<u>(5,631,499)</u>	<u>(264,002)</u>	<u>-</u>	<u>(5,895,501)</u>
Total Capital Assets Being Depreciated, Net	<u>4,104,570</u>	<u>(223,157)</u>	<u>-</u>	<u>3,881,413</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 4,584,654</u></u>	<u><u>\$ (12,137)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,572,517</u></u>

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Construction in progress	2,724,259	3,141	(2,727,400)	-
Total Capital Assets not Being Depreciated	<u>2,728,759</u>	<u>3,141</u>	<u>(2,727,400)</u>	<u>4,500</u>
Capital Assets Being Depreciated				
Water system	2,769,685	96,209	-	2,865,894
Sanitary sewer system	1,458,821	2,481,236	-	3,940,057
Storm water system	157,715	-	-	157,715
Machinery and equipment	22,519	18,647	-	41,166
Total Capital Assets Being Depreciated	<u>4,408,740</u>	<u>2,596,092</u>	<u>-</u>	<u>7,004,832</u>
Less Accumulated Depreciation for				
Water system	(1,793,394)	(53,041)	-	(1,846,435)
Sanitary sewer system	(1,036,028)	(44,275)	-	(1,080,303)
Storm water system	(64,564)	(5,257)	-	(69,821)
Machinery and equipment	(22,519)	(346)	-	(22,865)
Total Accumulated Depreciation	<u>(2,916,505)</u>	<u>(102,919)</u>	<u>-</u>	<u>(3,019,424)</u>
Total Capital Assets Being Depreciated, Net	<u>1,492,235</u>	<u>2,493,173</u>	<u>-</u>	<u>3,985,408</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,220,994</u>	<u>\$ 2,496,314</u>	<u>\$ (2,727,400)</u>	<u>\$ 3,989,908</u>

The decrease in construction in progress is greater than the increase in capital assets due to write off of construction in progress amounts in the current year.

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

Governmental Activities	
General government	\$ 29,271
Public safety	24,214
Streets and highways	178,655
Culture and recreation	31,236
Miscellaneous	<u>626</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 264,002</u>
Business-type Activities	
Water	\$ 53,483
Sewer	44,179
Environmental services	<u>5,257</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 102,919</u>

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

The Permanent Improvement Revolving fund loaned \$113,500 to the 2007 G.O. Tax Increment Bonds fund to assist in meeting future debt service requirements and other expenditures. In 2015, an additional \$69,500 was loaned between the two funds. In 2022, a payment of \$16,000 using increment generated was made. The remaining principal of \$167,000 is to be paid back in full by December 31, 2023 at a 0.0 percent interest rate.

The composition of interfund transfers at December 31, 2022 is as follows:

Transfers out	Transfers in	
	Debt Service fund	Water Enterprise fund
		Total
Sewer Enterprise fund	\$ 80,000	\$ 110,000
		\$ 190,000

The Sewer fund used excess reserves to fund Debt Service bond payments as well as the Water's fund bond payments.

E. Long-term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These obligations are being funded through ad valorem tax levies. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2011C G.O. Tax Abatement Bonds	\$ 495,000	2.50 - 4.75 %	12/29/11	02/01/28	\$ 230,000
2013A G.O. Equipment Certificates	85,000	3.00 - 4.00	01/30/13	01/01/23	10,000
2014A G.O. Bonds	200,000	1.50 - 3.50	02/11/14	02/01/24	60,000
2018A G.O. Equipment Certificates	320,000	2.39 - 2.94	02/15/18	02/01/28	220,000
2018A G.O. Tax Abatement Bonds	235,000	2.39 - 2.94	02/15/18	02/01/29	175,000
2019A G.O. Equipment Certificates	145,000	2.75	12/30/19	02/23/23	73,000
Total General Obligation Bonds					\$ 768,000

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 208,000	\$ 22,548	\$ 230,548
2024	125,000	18,146	143,146
2025	95,000	14,536	109,536
2026	100,000	10,252	110,252
2027	105,000	6,605	111,605
2028 - 2029	135,000	3,103	138,103
Total	<u>\$ 768,000</u>	<u>\$ 75,190</u>	<u>\$ 843,190</u>

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2011B (2002A)	\$ 525,000	2.00 - 3.40 %	12/29/11	02/01/23	\$ 55,000
G.O. Refunding Bonds of 2011B (2003A)	145,000	2.00 - 3.40	12/29/11	02/01/23	15,000
Total G.O. Special Assessment Bonds					<u>\$ 70,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2023	<u>\$ 70,000</u>	<u>\$ 1,190</u>	<u>\$ 71,190</u>

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue Bonds of 2007B	\$ 470,000	3.60 - 4.25 %	11/15/07	02/01/23	\$ 40,000
G.O. Wastewater Revenue Note of 2007 (PFA)	3,713,099	1.49	09/26/07	08/20/27	1,105,000
G.O. Refunding Bonds of 2011B (Water)	215,000	2.00 - 3.40	12/29/11	02/01/23	72,500
G.O. Refunding Bonds of 2011B (Sewer)	395,000	2.00 - 3.40	12/29/11	02/01/23	72,500
G.O. Water Revenue Bonds of 2014A	135,000	1.50 - 3.50	02/11/14	02/01/24	30,000
G.O. Water Revenue Bonds of 2014C	635,000	1.30 - 3.70	12/16/14	02/01/35	450,000
G.O. Utility Revenue Bonds of 2019A	469,000	2.75	12/30/19	02/23/23	161,000
G.O. Utility Revenue Bonds of 2020A	2,880,000	1.15 - 2.00	12/03/20	02/01/34	<u>2,880,000</u>
Total G.O. Revenue Bonds					<u>\$ 4,811,000</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Environmental Services
Revenues	\$ 142,623	\$ 455,557	\$ 28,790
Principal and interest	350,986	194,918	7,240
Percentage of revenues	246.1%	42.8%	25.1%

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2023	\$ 605,000	\$ 87,081	\$ 692,081
2024	503,000	74,658	577,658
2025	496,000	65,443	561,443
2026	499,000	56,320	555,320
2027	508,000	47,102	555,102
2028 - 2032	1,515,000	127,958	1,642,958
2033 - 2035	685,000	14,749	699,749
Total	<u>\$ 4,811,000</u>	<u>\$ 473,311</u>	<u>\$ 5,284,311</u>

Notes Payable

During 2020, an obligation was issued by the City for water tower repairs. The obligation will be retired by the net revenue of the enterprise fund. Costs financed for repairs totaled \$182,676 with one payment of \$45,669 made during the year. During 2022, an additional installment note was issued to cash flow bond payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Water tower repairs	\$ 182,676	0.0 %	07/03/20	07/03/27	\$ 45,669
Installment note	240,000	2.75	02/10/22	02/01/24	<u>240,000</u>
Total Notes Payable					<u>\$ 285,669</u>

The annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31	Notes Payable		
	Principal	Interest	Total
2023	\$ 9,795	\$ 6,221	\$ 16,016
2024	250,187	3,110	253,297
2025	10,594	-	10,594
2026	11,018	-	11,018
2027	4,075	-	4,075
Total	<u>\$ 285,669</u>	<u>\$ 9,331</u>	<u>\$ 295,000</u>

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 970,000	\$ -	\$ (202,000)	\$ 768,000	\$ 208,000
General obligation special assessment bonds	135,000	-	(65,000)	70,000	70,000
Total Bonds Payable	1,105,000	-	(267,000)	838,000	278,000
Notes Payable	-	240,000	-	240,000	-
Compensated Absences Payable	22,508	18,975	(19,287)	22,196	22,196
Governmental Activity Long-term Liabilities	<u>\$ 1,127,508</u>	<u>\$ 258,975</u>	<u>\$ (286,287)</u>	<u>\$ 1,100,196</u>	<u>\$ 300,196</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,424,000	\$ -	\$ (613,000)	\$ 4,811,000	\$ 605,000
Bond premium	136,640	-	-	136,640	-
Total Bonds Payable	5,560,640	-	(613,000)	4,947,640	605,000
Notes Payable	91,338	-	(45,669)	45,669	9,795
Business-type Activity Long-term Liabilities	<u>\$ 5,651,978</u>	<u>\$ -</u>	<u>\$ (658,669)</u>	<u>\$ 4,993,309</u>	<u>\$ 614,795</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide

B. Benefits Provided

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

General Employees Plan Benefits

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

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

Police and Fire Plan Benefits

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$15,300, \$12,337 and \$16,403, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire fund for the years ending December 31, 2022, 2021 and 2020 were \$14,103, \$19,460 and \$18,337, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$115,302 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$3,543. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0023 percent at the end of the measurement period and .0027 percent for the beginning of the period.

City's Proportionate Share of the GERP Net Pension Liability	\$ 182,161
State of Minnesota's Proportionate Share of the GERP Net Pension Liability Associated with the City	<u>5,414</u>
Total	<u><u>\$ 187,575</u></u>

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

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

For the year ended December 31, 2022, the City recognized pension expense of \$14,147 for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$809 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,522	\$ 2,307
Changes in Actuarial Assumptions	48,179	966
Net Difference Between Projected and Actual Earnings on Plan Investments	-	6,847
Changes in Proportion	-	14,588
Contributions Paid to PERA Subsequent to the Measurement Date	8,907	-
Total	<u>\$ 58,608</u>	<u>\$ 24,708</u>

The \$8,907 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 5,698
2024	12,662
2025	(9,840)
2026	16,473

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$352,480 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0081 percent at the end of the measurement period and .0095 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$41,555 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$3,003 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in state aid. The City recognized \$729 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 23,656	\$ 87
Changes in Actuarial Assumptions	223,333	4,741
Net Difference Between Projected and Actual Earnings on Plan Investments	-	12,093
Changes in Proportion	30,633	12,861
Contributions Paid to PERA Subsequent to the Measurement Date	6,161	-
Total	<u>\$ 283,783</u>	<u>\$ 29,782</u>

The \$6,161 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 54,604
2024	45,686
2025	43,893
2026	74,329
2027	29,328

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

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

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	16.5	5.30
Total	<u>100.0 %</u>	

F. Actuarial Assumptions

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

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

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

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

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

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 287,732	\$ 182,161	\$ 95,576

	City Proportionate Share of NPL		
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	\$ 533,433	\$ 352,480	\$ 206,190

I. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City established a limited risk management program for workers' compensation and general liability and property damage.

The workers' compensation program activities are accounted for in the Workers' Compensation Insurance internal service fund. Premiums are paid into the fund by all other funds to pay claims and administrative cost of the program. The premiums are allocated based on the payroll costs by department. During the year, the City obtained insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event.

The general liability and property damage activities are accounted for in the Property/Liability Insurance internal service fund. For liability insurance, the first \$50,000 for each occurrence and an annual aggregate of \$100,000 is self-retained with the balance of \$1,000,000 coverage purchased through insurance carriers. All property is insured at replacement value with a \$50,000 deductible. These amounts are used to promote an aggressive maintenance program to help limit liability losses.

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

City of Henderson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Other Information (Continued)

B. Contingent Liabilities

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

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. As of December 31, 2022, the City is under the legal debt margin.

D. Tax Increment Districts

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

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid program. The LGA amount received in 2022 was \$316,792 which accounted for 43.6 percent of General fund revenues.

F. Joint Powers Agreements

On January 7, 2014, the City of Henderson entered into a joint powers agreement with the Townships of Henderson and Jessenland to create a Joint Fire/EMS District. According to the agreement, all trucks, equipment and personal property of the City of Henderson Fire Department, as well as Fire Department employees, shall hereafter be included and part of the Fire District. Additionally, the City is responsible for 55 percent of operating expenses and 50 percent of capital replacement expenses incurred by the District. The City contributed \$52,904 to the District during the year.

Note 6: Transfer of Operations

Under an intergovernmental agreement between the City of Henderson and Sibley County, the City agreed to operate the Henderson Public Library for the purpose of continuing the provision of those services to the City's citizens. As a result of the transfer, the City recognized a special item of \$35,745 in the General fund and \$47,784 in the Library fund for a total of \$83,529 for cash received from Sibley County in December 2022 and January 2023.

Note 7: Subsequent Event

On February 15, 2023, the City approved the issuance of warrants up to an amount not to exceed \$480,250 at an interest rate of 5.75 percent. The warrants were approved under Minnesota statute 471.73 in anticipation of the collection of taxes previously levied but not yet collected.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Henderson, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0023 %	\$ 182,161	\$ 5,414	\$ 187,575	\$ 174,926	104.1 %	76.7 %
06/30/21	0.0027	115,302	3,543	118,845	192,565	59.9	87.0
06/30/20	0.0030	179,864	5,560	185,424	216,902	82.9	79.0
06/30/19	0.0031	171,392	5,333	176,725	220,457	77.7	80.2
06/30/18	0.0028	155,333	4,967	193,957	190,055	81.7	79.5
06/30/17	0.0030	191,518	2,439	193,957	195,258	98.1	75.9
06/30/16	0.0028	227,346	2,931	230,277	170,740	133.2	68.9
06/30/15	0.0031	160,658	-	160,658	177,716	90.4	78.2

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

Schedule of employer's PERA contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 15,300	\$ 15,300	\$ -	\$ 204,002	7.50 %
12/31/21	12,337	12,337	-	164,499	7.50
12/31/20	16,403	16,403	-	218,702	7.50
12/31/19	16,037	16,037	-	213,827	7.50
12/31/18	16,194	16,194	-	215,915	7.50
12/31/17	14,217	14,217	-	189,565	7.50
12/31/16	13,808	13,808	-	184,112	7.50
12/31/15	13,482	13,482	-	179,755	7.50

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

City of Henderson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

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

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

2018 - The 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.

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

City of Henderson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - 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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - There were no changes in plan provisions since the previous valuation.

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

City of Henderson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0081 %	\$ 352,480	\$ 15,482	\$ 367,962	\$ 102,867	342.7 %	70.5 %
06/30/21	0.0095	73,330	3,288	76,618	111,906	65.5	93.7
06/30/20	0.0082	108,085	2,548	110,633	92,378	117.0	87.2
06/30/19	0.0075	69,199	-	69,199	68,673	100.8	89.3
06/30/18	0.0075	79,942	-	79,942	79,306	100.8	88.8
06/30/17	0.0050	67,506	-	67,506	49,073	137.6	85.4
06/30/16	0.0060	240,790	-	240,790	80,835	297.9	63.9
06/30/15	0.0060	68,174	-	68,174	53,666	127.0	86.6

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

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 14,103	\$ 14,103	\$ -	\$ 79,676	17.70 %
12/31/21	19,460	19,460	-	109,946	17.70
12/31/20	18,337	18,337	-	103,597	17.70
12/31/19	13,750	13,750	-	81,121	16.95
12/31/18	11,587	11,587	-	71,524	16.20
12/31/17	13,095	13,095	-	80,835	16.20
12/31/16	6,257	6,257	-	38,622	16.20
12/31/15	8,694	8,694	-	53,667	16.20

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

City of Henderson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2022 - The mortality projection scale was changed from MP-2020 to MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 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 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Henderson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

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

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

	Special Revenue	Capital Project Henderson Trail	Total
Assets			
Cash and cash equivalents	\$ 14,280	\$ (13,618)	\$ 662
Receivables			
Intergovernmental	36,499	-	36,499
Loans	8,655	-	8,655
	<u>59,434</u>	<u>(13,618)</u>	<u>45,816</u>
Total Assets	<u>\$ 59,434</u>	<u>\$ (13,618)</u>	<u>\$ 45,816</u>
Liabilities			
Accounts payable	\$ 1,719	\$ 4,133	\$ 5,852
Unearned revenue	3,665	-	3,665
Total Liabilities	<u>5,384</u>	<u>4,133</u>	<u>9,517</u>
Fund Balances			
Committed			
Economic development	11,206	-	11,206
Library	42,844	-	42,844
Unassigned	-	(17,751)	(17,751)
Total Fund Balances	<u>54,050</u>	<u>(17,751)</u>	<u>36,299</u>
Total Liabilities and Fund Balances	<u>\$ 59,434</u>	<u>\$ (13,618)</u>	<u>\$ 45,816</u>

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

	Special Revenue	<u>Capital Project Henderson Trail</u>	Total
Revenues			
Taxes	\$ 20,000	\$ -	\$ 20,000
Intergovernmental	56,479	-	56,479
Charges for services	73		73
Miscellaneous	6,891	-	6,891
Total Revenues	<u>83,443</u>	<u>-</u>	<u>83,443</u>
Expenditures			
Current			
Streets and highways	20,725		20,725
Culture and recreation	6,040		6,040
Economic development	32,791	-	32,791
Capital outlay			
Culture and recreation	35,754	13,400	49,154
Total Expenditures	<u>95,310</u>	<u>13,400</u>	<u>108,710</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,867)	(13,400)	(25,267)
Special Item			
Transfer of Operations	<u>47,784</u>	<u>-</u>	<u>47,784</u>
Net Changes in Fund Balances	35,917	(13,400)	22,517
Fund Balances, January 1	<u>18,133</u>	<u>(4,351)</u>	<u>13,782</u>
Fund Balances, December 31	<u><u>\$ 54,050</u></u>	<u><u>\$ (17,751)</u></u>	<u><u>\$ 36,299</u></u>

City of Henderson, Minnesota

Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	206	250	290	
	ARPA	Economic Development Authority	Library	Total
Assets				
Cash and cash equivalents	\$ 3,665	\$ 3,451	\$ 7,164	\$ 14,280
Receivables				
Intergovernmental	-	-	36,499	36,499
Loans	-	8,655	-	8,655
Total Assets	<u>\$ 3,665</u>	<u>\$ 12,106</u>	<u>\$ 43,663</u>	<u>\$ 59,434</u>
Liabilities				
Accounts payable	\$ -	\$ 900	\$ 819	\$ 1,719
Unearned revenue	3,665	-	-	3,665
Total Liabilities	<u>3,665</u>	<u>900</u>	<u>819</u>	<u>5,384</u>
Fund Balances				
Committed				
Economic development	-	11,206	-	11,206
Library	-	-	42,844	42,844
Total Fund Balances	<u>-</u>	<u>11,206</u>	<u>42,844</u>	<u>54,050</u>
Total Liabilities and Fund Balances	<u>\$ 3,665</u>	<u>\$ 12,106</u>	<u>\$ 43,663</u>	<u>\$ 59,434</u>

City of Henderson, Minnesota
Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	Special Revenue			
	206	250	290	
	ARPA	Economic Development Authority	Library	Total
Revenues				
Taxes	\$ -	\$ 20,000	\$ -	\$ 20,000
Intergovernmental	56,479	-	-	56,479
Charges for services	-	73	-	73
Miscellaneous	-	5,791	1,100	6,891
Total Revenues	<u>56,479</u>	<u>25,864</u>	<u>1,100</u>	<u>83,443</u>
Expenditures				
Current				
Streets and highways	20,725	-	-	20,725
Culture and recreation	-	-	6,040	6,040
Economic development	-	32,791	-	32,791
Capital outlay				
Culture and recreation	35,754	-	-	35,754
Total Expenditures	<u>56,479</u>	<u>32,791</u>	<u>6,040</u>	<u>95,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(6,927)	(4,940)	(11,867)
Special Item				
Transfer of Operations	<u>-</u>	<u>-</u>	<u>47,784</u>	<u>47,784</u>
Net Changes in Fund Balances	-	(6,927)	42,844	35,917
Fund Balances, January 1	<u>-</u>	<u>18,133</u>	<u>-</u>	<u>18,133</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 11,206</u>	<u>\$ 42,844</u>	<u>\$ 54,050</u>

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City of Henderson, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 195,072	\$ 224,759
Receivables		
Delinquent taxes	9,067	3,765
Accounts	16,318	35,555
Intergovernmental	100,199	78,028
Prepaid items	<u>4,168</u>	<u>2,298</u>
Total Assets	<u><u>\$ 324,824</u></u>	<u><u>\$ 344,405</u></u>
Liabilities		
Accounts payable	\$ 7,162	\$ 34,851
Due to other governments	-	12
Unearned revenue	<u>4,710</u>	<u>4,600</u>
Total Liabilities	<u>11,872</u>	<u>39,463</u>
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	9,067	3,765
Intergovernmental	41,356	41,356
Pledges	<u>25,000</u>	<u>35,000</u>
Total Deferred Inflows of Resources	<u>75,423</u>	<u>80,121</u>
Fund Balances		
Nonspendable	4,168	2,298
Restricted		
Police forfeitures	6,001	-
Small cities assistance	25,605	25,605
Unassigned	<u>201,755</u>	<u>196,918</u>
Total Fund Balances	<u>237,529</u>	<u>224,821</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 324,824</u></u>	<u><u>\$ 344,405</u></u>

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

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property	\$ 257,500	\$ 257,500	\$ 250,937	\$ (6,563)	\$ 225,355
Franchise	40,400	40,400	40,502	102	42,596
Total taxes	<u>297,900</u>	<u>297,900</u>	<u>291,439</u>	<u>(6,461)</u>	<u>267,951</u>
Licenses and permits					
Business	3,000	3,000	4,600	1,600	3,105
Nonbusiness	-	-	150	150	10
Total licenses and permits	<u>3,000</u>	<u>3,000</u>	<u>4,750</u>	<u>1,750</u>	<u>3,115</u>
Intergovernmental					
Federal					
FEMA	-	-	-	-	7,363
State					
Local government aid	317,000	317,000	316,792	(208)	314,473
Police state aid	12,000	12,000	10,016	(1,984)	18,337
Other state aid	18,750	15,000	26,741	11,741	59,526
Total intergovernmental	<u>347,750</u>	<u>344,000</u>	<u>353,549</u>	<u>9,549</u>	<u>399,699</u>
Charges for services					
General government	-	-	-	-	100
Public safety	-	-	-	-	6
Culture and recreation	22,000	22,000	21,946	(54)	12,471
Rents and refunds	16,000	20,000	13,142	(6,858)	10,010
Total charges for services	<u>38,000</u>	<u>42,000</u>	<u>35,088</u>	<u>(6,912)</u>	<u>22,587</u>
Fines and forfeits	<u>3,000</u>	<u>3,000</u>	<u>2,062</u>	<u>(938)</u>	<u>2,811</u>
Investment earnings	<u>600</u>	<u>700</u>	<u>728</u>	<u>28</u>	<u>1,145</u>
Miscellaneous					
Contributions and donations	20,000	23,000	30,590	7,590	45,470
Other	2,000	1,000	8,228	7,228	10
Total miscellaneous	<u>22,000</u>	<u>24,000</u>	<u>38,818</u>	<u>14,818</u>	<u>45,480</u>
Total Revenues	<u>712,250</u>	<u>714,600</u>	<u>726,434</u>	<u>11,834</u>	<u>742,788</u>

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 14,000	\$ 14,000	\$ 14,398	\$ (398)	\$ 14,983
Other services and charges	2,810	2,810	1,824	986	1,335
Total mayor and council	16,810	16,810	16,222	588	16,318
City clerk/administration					
Personal services	67,000	72,000	62,564	9,436	69,415
Supplies	1,200	1,200	2,007	(807)	536
Other services and charges	49,950	38,900	35,604	3,296	35,644
Total city clerk/administration	118,150	112,100	100,175	11,925	105,595
Auditing					
Other services and charges	10,000	10,000	9,328	672	9,875
Assessing					
Other services and charges	6,200	6,200	6,942	(742)	5,610
Legal					
Other services and charges	19,650	13,650	10,863	2,787	20,540
General government building					
Supplies	2,700	2,700	3,901	(1,201)	663
Other services and charges	21,400	22,300	25,250	(2,950)	15,748
Total general government building	24,100	25,000	29,151	(4,151)	16,411
Total general government	194,910	183,760	172,681	11,079	174,349
Public safety					
Police					
Personal services	158,000	148,000	123,264	24,736	156,398
Supplies	3,000	3,000	3,744	(744)	5,667
Other services and charges	7,490	7,490	11,052	(3,562)	8,807
Total police	168,490	158,490	138,060	20,430	170,872
Fire					
Personal services	15,000	15,000	14,952	48	14,745
Other services and charges	62,600	63,100	69,086	(5,986)	68,502
Total fire	77,600	78,100	84,038	(5,938)	83,247
Ambulance					
Supplies	5,850	5,850	4,220	1,630	4,378
Other services and charges	-	-	75	(75)	-
Total ambulance	5,850	5,850	4,295	1,555	4,378
Building inspection					
Other services and charges	14,100	10,100	9,501	599	14,422

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

	2022			2021	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Civil defense					
Supplies	\$ 1,500	\$ 1,500	\$ 95	\$ 1,405	\$ -
Other services and charges	12,150	12,150	8,927	3,223	6,887
Total civil defense	13,650	13,650	9,022	4,628	6,887
Animal control					
Other services and charges	-	-	-	-	195
Total public safety	279,690	266,190	244,916	21,274	280,001
Streets and highways					
Streets					
Personal services	84,400	76,400	70,125	6,275	58,270
Supplies	11,700	12,500	11,789	711	5,502
Other services and charges	31,565	40,065	59,483	(19,418)	33,364
Total streets	127,665	128,965	141,397	(12,432)	97,136
Street lighting					
Other services and charges	25,000	25,000	24,781	219	24,115
Total streets and highways	152,665	153,965	166,178	(12,213)	121,251
Culture and recreation					
Parks					
Personal services	10,400	10,400	8,121	2,279	-
Supplies	6,800	6,200	3,971	2,229	2,692
Other services and charges	38,790	51,630	43,702	7,928	43,092
Total parks	55,990	68,230	55,794	12,436	45,784
Library					
Supplies	1,500	1,500	541	959	476
Other services and charges	34,700	36,700	23,500	13,200	37,946
Total library	36,200	38,200	24,041	14,159	38,422
Total culture and recreation	92,190	106,430	79,835	26,595	84,206
Total current	719,455	710,345	663,610	46,735	659,807

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

	2022			2021
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Capital outlay				
General government	\$ -	\$ -	\$ 22,275	\$ -
Public safety	-	-	6,610	-
Streets and highways	2,000	2,000	11,018	13,063
Culture and recreation	-	-	45,208	-
Total capital outlay	<u>2,000</u>	<u>2,000</u>	<u>85,111</u>	<u>13,063</u>
Debt service				
Interest and other costs	<u>1,500</u>	<u>1,500</u>	<u>750</u>	<u>750</u>
Total Expenditures	<u>722,955</u>	<u>713,845</u>	<u>749,471</u>	<u>673,620</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,705)	755	(23,037)	69,168
Other Financing Sources (Uses)				
Transfers in	-	-	-	150,000
Special Item				
Transfer of Operations	<u>-</u>	<u>-</u>	<u>35,745</u>	<u>-</u>
Net Change in Fund Balances	(10,705)	755	12,708	219,168
Fund Balances, January 1	<u>224,821</u>	<u>224,821</u>	<u>224,821</u>	<u>5,653</u>
Fund Balances, December 31	<u>\$ 214,116</u>	<u>\$ 225,576</u>	<u>\$ 237,529</u>	<u>\$ 224,821</u>

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City of Henderson, Minnesota
Economic Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Charges for services					
Rents and refunds	6,000	6,000	73	(5,927)	-
Miscellaneous					
Contributions and donations	2,500	2,500	5,500	3,000	9,500
Loan principal	500	500	-	(500)	-
Loan interest	-	-	291	291	200
Total Revenues	<u>29,000</u>	<u>29,000</u>	<u>25,864</u>	<u>(3,136)</u>	<u>29,700</u>
Expenditures					
Current					
Economic development					
Personal services	12,600	12,600	12,500	100	13,605
Other services and charges	12,386	12,386	20,291	(7,905)	12,080
Total Expenditures	<u>24,986</u>	<u>24,986</u>	<u>32,791</u>	<u>(7,805)</u>	<u>25,685</u>
Net Change in Fund Balances	4,014	4,014	(6,927)	(10,941)	4,015
Fund Balances, January 1	<u>18,133</u>	<u>18,133</u>	<u>18,133</u>	<u>-</u>	<u>14,118</u>
Fund Balances, December 31	<u>\$ 22,147</u>	<u>\$ 22,147</u>	<u>\$ 11,206</u>	<u>\$ (10,941)</u>	<u>\$ 18,133</u>

City of Henderson, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2022
(With Comparative Totals for December 31, 2021)

	301 Permanent Improvement Revolving	303 2003A G.O. Improvement Bonds	307 2011C G.O. Tax Abatement Bonds	375 2002 G.O. Improvement Bonds	379 2007 G.O. Tax Increment Bonds
Assets					
Cash and temporary investments	\$ 121,140	\$ 12,532	\$ 24,558	\$ 13,182	\$ 638
Cash held with fiscal agent	-	-	-	-	-
Receivables					
Intergovernmental	37	-	-	-	-
Note	-	-	-	-	-
Due from other funds	167,000	-	-	-	-
Total Assets	\$ 288,177	\$ 12,532	\$ 24,558	\$ 13,182	\$ 638
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 167,000
Deferred Inflows of Resources					
Unavailable revenue					
Notes	-	-	-	-	-
Fund Balances					
Restricted					
Debt service	288,177	12,532	24,558	13,182	-
Unassigned	-	-	-	-	(166,362)
Total Fund Balances	288,177	12,532	24,558	13,182	(166,362)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 288,177	\$ 12,532	\$ 24,558	\$ 13,182	\$ 638

308 2013 G.O. Equipment Certificates	309 2014 G.O. Improvement Bonds	311 2018 Equipment Certificates	312 2018A G.O. Tax Abatement Bonds	313 2019 Equipment Certificates	Total
\$ 6,581 10,200	\$ 90 -	\$ 373 -	\$ 28,860 -	\$ 39 -	\$ 207,993 10,200
-	-	-	-	-	37
-	-	159,593	-	-	159,593
-	-	-	-	-	167,000
<u>\$ 16,781</u>	<u>\$ 90</u>	<u>\$ 159,966</u>	<u>\$ 28,860</u>	<u>\$ 39</u>	<u>\$ 544,823</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,000</u>
-	-	159,593	-	-	159,593
16,781	90	373	28,860	39	384,592
-	-	-	-	-	(166,362)
<u>16,781</u>	<u>90</u>	<u>373</u>	<u>28,860</u>	<u>39</u>	<u>218,230</u>
<u>\$ 16,781</u>	<u>\$ 90</u>	<u>\$ 159,966</u>	<u>\$ 28,860</u>	<u>\$ 39</u>	<u>\$ 544,823</u>

City of Henderson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2022

	301 Permanent Improvement Revolving	303 2003A G.O. Improvement Bonds	307 2011C G.O. Tax Abatement Bonds	375 2002 G.O. Improvement Bonds	379 2007 G.O. Tax Increment Bonds
Revenues					
Taxes					
Property taxes	\$ 158,000	\$ -	\$ 44,000	\$ 60,000	\$ -
Tax increment district taxes	-	-	-	-	7,604
Special assessments	1,609	-	-	-	-
Miscellaneous					
Contributions and donations	-	-	-	-	-
Total Revenues	<u>159,609</u>	<u>-</u>	<u>44,000</u>	<u>60,000</u>	<u>7,604</u>
Expenditures					
Current					
General government	12,804	-	-	-	-
Debt service					
Principal	-	15,000	35,000	50,000	-
Interest and other costs	3,610	854	11,718	2,809	-
Total Expenditures	<u>16,414</u>	<u>15,854</u>	<u>46,718</u>	<u>52,809</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>143,195</u>	<u>(15,854)</u>	<u>(2,718)</u>	<u>7,191</u>	<u>7,604</u>
Other Financing Sources (Uses)					
Notes issued	240,000	-	-	-	-
Transfers in	80,000	-	-	-	-
Transfers out	(105,700)	-	-	-	-
Total Other Financing Sources (Uses)	<u>214,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	357,495	(15,854)	(2,718)	7,191	7,604
Fund Balances, January 1	<u>(69,318)</u>	<u>28,386</u>	<u>27,276</u>	<u>5,991</u>	<u>(173,966)</u>
Fund Balances, December 31	<u>\$ 288,177</u>	<u>\$ 12,532</u>	<u>\$ 24,558</u>	<u>\$ 13,182</u>	<u>\$ (166,362)</u>

308 2013 G.O. Equipment Certificates	309 2014 G.O. Improvement Bonds	311 2018 Equipment Certificates	312 2018A G.O. Tax Abatement Bonds	313 2019 Equipment Certificates	Total
\$ 7,000	\$ -	\$ -	\$ 27,000	\$ -	\$ 296,000
-	-	-	-	-	7,604
-	-	-	-	-	1,609
-	-	31,492	-	-	31,492
<u>7,000</u>	<u>-</u>	<u>31,492</u>	<u>27,000</u>	<u>-</u>	<u>336,705</u>
-	-	-	-	-	12,804
10,000	30,000	35,000	20,000	72,000	267,000
1,197	3,051	5,897	5,701	2,047	36,884
<u>11,197</u>	<u>33,051</u>	<u>40,897</u>	<u>25,701</u>	<u>74,047</u>	<u>316,688</u>
<u>(4,197)</u>	<u>(33,051)</u>	<u>(9,405)</u>	<u>1,299</u>	<u>(74,047)</u>	<u>20,017</u>
-	-	-	-	-	240,000
-	31,700	-	-	74,000	185,700
-	-	-	-	-	(105,700)
<u>-</u>	<u>31,700</u>	<u>-</u>	<u>-</u>	<u>74,000</u>	<u>320,000</u>
(4,197)	(1,351)	(9,405)	1,299	(47)	340,017
<u>20,978</u>	<u>1,441</u>	<u>9,778</u>	<u>27,561</u>	<u>86</u>	<u>(121,787)</u>
<u>\$ 16,781</u>	<u>\$ 90</u>	<u>\$ 373</u>	<u>\$ 28,860</u>	<u>\$ 39</u>	<u>\$ 218,230</u>

City of Henderson, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations -
Governmental Funds
For the Years Ended December 31, 2022 and 2021

	Total 2022	Total 2021	Percent Increase (Decrease)	
Revenues				
Taxes	\$ 615,043	\$ 591,449	3.99	%
Special assessments	1,609	1,829	(12.03)	
Licenses and permits	4,750	3,115	52.49	
Intergovernmental	576,619	445,504	29.43	
Charges for services	70,906	22,587	213.92	
Fines and forfeits	2,062	2,811	(26.65)	
Investment earnings	728	1,145	(36.42)	
Miscellaneous	124,985	88,554	41.14	
	<u>\$ 1,396,702</u>	<u>\$ 1,156,994</u>	20.72	%
Total Revenues	<u>\$ 1,396,702</u>	<u>\$ 1,156,994</u>	20.72	%
Per Capita	<u>\$ 1,431</u>	<u>\$ 1,205</u>	18.74	%
Expenditures				
Current				
General government	\$ 185,485	\$ 192,849	(3.82)	%
Public safety	244,916	280,001	(12.53)	
Streets and highways	186,903	121,251	54.15	
Culture and recreation	85,875	84,206	1.98	
Economic development	32,791	25,685	27.67	
Capital outlay				
General government	22,275	-	100.00	
Public safety	173,201	45,805	278.13	
Streets and highways	11,018	13,063	(15.65)	
Culture and recreation	94,362	4,351	2,068.74	
Debt service				
Principal	267,000	305,000	(12.46)	
Interest and other costs	37,634	44,366	(15.17)	
	<u>\$ 1,341,460</u>	<u>\$ 1,116,577</u>	20.14	%
Total Expenditures	<u>\$ 1,341,460</u>	<u>\$ 1,116,577</u>	20.14	%
Per Capita	<u>\$ 1,374</u>	<u>\$ 1,163</u>	18.17	%
Total Long-term Indebtedness	\$ 838,000	\$ 1,105,000	(24.16)	%
Per Capita	859	1,151	(25.41)	
General Fund Balance - December 31	\$ 237,529	\$ 224,821	5.65	%
Per Capita	243	234	3.92	

The purpose of this report is to provide a summary of financial information concerning the City of Henderson to interested citizens. The complete financial statements may be examined at PO Box 433, 600 Main St. Questions about this report should be directed to Lon Berberich, Administrator/Clerk-Treasurer at 507-248-3234.

OTHER REQUIRED REPORTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Henderson, 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 Henderson, 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 February 23, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2022-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

The City's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Abdo
Mankato, Minnesota
February 23, 2023

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

Honorable Mayor and City Council
City of Henderson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Henderson, 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 February 23, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a significant deficiency.

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 City's Responses to Findings

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

Purpose of this Report

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



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Mankato, Minnesota
February 23, 2023



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City of Henderson, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts and utility billing and found the City to have limited segregation of duties in these areas.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Payroll

<i>Cause:</i>	As a result of the small number of staff, the Administrator/Clerk-Treasurer controls and maintains the check stock, approves time cards, runs payroll, prepares and signs checks, posts activity to the general ledger, reconciles bank accounts, prepares payroll tax returns, and maintains the payroll records.
<i>Recommendation:</i>	Currently, the City Council and Mayor are involved in the payroll process through signing checks, approving general ledger postings, putting checks in envelopes, reconciliations, tax returns, payroll records, compensated absences, and accrued wages. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated Progress from Prior Year:

The Council is very involved in overseeing the financial reports and now reviews time cards. Since 2008 sign off sheets are being used to provide documentation of this oversight.

Internal Control Over Disbursements

<i>Cause:</i>	As a result of the small number of staff, the Administrative Assistant sets up vendors, posts activity to general ledger, prepares checks, mails checks to vendors, maintains the purchase journal and accounts payable records.
<i>Recommendation:</i>	Currently, the City Council reviews and signs off on activity posted to general ledger, reviews checks before they are processed, and the mayor reviews disbursements before checks are signed. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated Progress from Prior Year:

The Council is very involved in overseeing the financial reports. Since 2008, sign off sheets are being used to provide documentation of this oversight.

City of Henderson, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

Finding

Description

2022-001

Segregation of Duties (Continued)

Internal Control Over Cash Receipts

Cause: As a result of the small number of staff, the Administrative Assistant sets up customers, posts activity to the general ledger, receives and endorses checks and currency, prepares the deposit, generates billing statements, and maintains the receipts journal and receivable records.

Recommendation: Currently, the City Council reviews and reconciles deposits and receivables monthly. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated Progress from Prior Year:

The Council is very involved in overseeing the financial reports. Since 2008, sign off sheets are being used to provide documentation of this oversight.

Internal Control Over Utility Billing

Cause: As a result of the small number of staff, the Administrator/Clerk-Treasurer opens mail, takes the deposit to the bank, reviews adjustments to accounts, and controls the accuracy completeness of and access to utility billing program and data files.

Recommendation: Currently, Council members review the accuracy and completeness of reports in fund accounting and utility billing, and approve adjustments to accounts. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Management Response: The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons, approval of adjustments to accounts, and approval of the reconciliation of the utility subledger to the general ledger. The Administrative Assistant now prepares the bank deposits and reconciles the receivable subledger.

Updated Progress from Prior Year:

The Council is very involved in overseeing the financial reports. Since 2008, sign off sheets are being used to provide documentation of this oversight.

City of Henderson, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-002	Material Audit Adjustments
<i>Condition:</i>	During our audit, material audit adjustments were necessary for the following situations: <ul style="list-style-type: none">• To adjust capital asset activity including retainage• To adjust utility billing receivables and revenue
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Administrator/Clerk-Treasurer will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.
<i>Updated Progress from Prior Year:</i>	No progress has been made in the current year.
2022-003	Installment Note Issuance
<i>Condition:</i>	During our audit, we discovered the City issued an installment note during the year that was not in accordance with Minnesota state statutes.
<i>Criteria:</i>	In accordance with Minnesota statute 475, long-term borrowing must be submitted for approval at an election or exempt from approval for specific reasons. The reason for the issuance was not included in the exempt provisions.
<i>Cause:</i>	The issuance was not exempt from approval by electors for the allowable reasons.
<i>Effect:</i>	The City is out of compliance with Minnesota statute 475.
<i>Recommendation:</i>	We recommend the City review different financing options to be in compliance with the applicable statutes moving forward.
<i>Management Response:</i>	The City will consider use of different financing options in the future to be in compliance with the appropriate statutes.