

CITY OF DELANO, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023



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INTRODUCTORY SECTION

**CITY OF DELANO, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2023**

Elected Officials

		<u>Term Expires</u>
Mayor	Holly Schrupp	December 31, 2026
Council Member	Jason Franzen	December 31, 2026
Council Member	Becky Schaust	December 31, 2026
Council Member	Mike Mathisen	December 31, 2024
Council Member	Jeremiah Hawkins	December 31, 2024

Appointed Officials

Administrator	Phil Kern
Engineer	Shawn Louwagie
Finance Director	Brian Bloch

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Delano
Delano, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano, Minnesota (the City) as of and for the year ended December 31, 2023, 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Delano Water, Light, and Power Commission, a discretely presented component unit, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit as of December 31, 2023. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Delano Water, Light, and Power Commission, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' 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.

Honorable Mayor and City Council
City of Delano, Minnesota

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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.

Honorable Mayor and City Council
City of Delano, Minnesota

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's total OPEB liability and related ratios, schedule of the City's proportionate share of the net pension liability, the schedule of changes in the Delano Firefighter's Relief Association's net pension liability (asset), and the schedule of the City contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 combining and individual nonmajor fund and discretely presented component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund and discretely presented component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Honorable Mayor and City Council
City of Delano, Minnesota

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 June 21, 2024, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 21, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

This section of the City of Delano's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2023. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2023, and the prior year, 2022, is required to be presented in the MD&A.

The Delano Water, Light, and Power Commission (the Commission) is considered a component unit of the City and, therefore, the Commission's financial information is included in management's discussion of the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 include the following:

- Governmental activities net position increase of \$4,195,831.
- Business-type activities net position decreased \$3,687,282.
- As of December 31, 2023, unassigned fund balance within the General Fund was \$3,633,831 or 87.44% of total 2023 General Fund expenditures.
- The fund balances of the Governmental Funds' increased from \$7,883,768 to \$18,257,672 as of December 31, 2023. The increase is due to the issuance of bonds in the amount of \$18,450,703, less the amount paid for refunding the 2020B bonds as well as capital spending related to the bond proceeds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

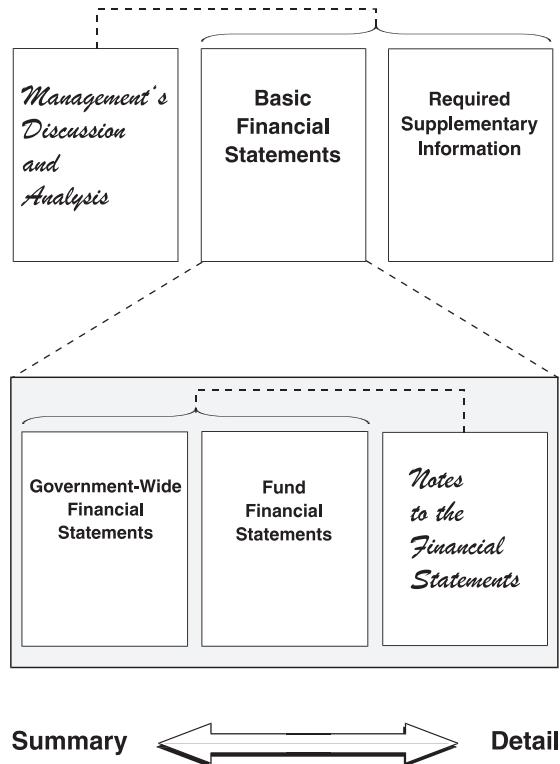
- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and highways and streets were financed in the short-term as well as what remains for future spending.
 - The proprietary funds statements provide details of the City's municipal liquor and utility "business-type" funds.
 - The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements			
Type of Statements	City-Wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: municipal liquor, sewer, electric, and water.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balance.	Statement of revenues, expenses, and changes in net position, and 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 Deferred Outflow/Inflow Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short term and long term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short term and long term.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of City buildings, infrastructure and other facilities.

In the City-wide financial statements, the City's activities are shown in two categories:

- Governmental activities – The City's basic services are included here. Property taxes, charges for services, and state aids finance most of these activities.
- Business-type activities – The City's enterprise fund operations (municipal liquor and sewer) are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has two kinds of funds:

- Governmental Funds – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future operations. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary (Enterprise) Funds – The City reports two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor and sewer utility. Enterprise fund financial statements provide the same type of information as the City-wide financial statements, only in more detail.

CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$60,054,881 on December 31, 2023 (see Table A-1).

Table A-1
Condensed Statements of Net Position
as of December 31, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and Other Assets	\$ 27,132,219	\$ 17,114,231	\$ 5,268,498	\$ 7,035,496	\$ 32,400,717	\$ 24,149,727
Capital Assets	56,993,400	48,458,076	23,445,109	21,875,905	80,438,509	70,333,981
Total Assets	<u>84,125,619</u>	<u>65,572,307</u>	<u>28,713,607</u>	<u>28,911,401</u>	<u>112,839,226</u>	<u>94,483,708</u>
Deferred Outflows of Resources	650,846	671,571	122,158	177,312	773,004	848,883
Liabilities:						
Long-Term Liabilities	42,589,214	28,581,327	8,271,021	4,953,504	50,860,235	33,534,831
Other Liabilities	1,421,497	1,363,341	613,021	602,281	2,034,518	1,965,622
Total Liabilities	<u>44,010,711</u>	<u>29,944,668</u>	<u>8,884,042</u>	<u>5,555,785</u>	<u>52,894,753</u>	<u>35,500,453</u>
Deferred Inflows of Resources	549,436	278,723	113,160	7,083	662,596	285,806
Net Position:						
Net Investment in Capital Assets	20,261,455	22,078,649	15,573,280	17,446,691	35,834,735	39,525,340
Restricted	22,548,006	15,614,703	-	-	22,548,006	15,614,703
Unrestricted	(2,593,143)	(1,672,865)	4,265,283	6,079,154	1,672,140	4,406,289
Total Net Position	<u>\$ 40,216,318</u>	<u>\$ 36,020,487</u>	<u>\$ 19,838,563</u>	<u>\$ 23,525,845</u>	<u>\$ 60,054,881</u>	<u>\$ 59,546,332</u>

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$20,161,423 for the year ended December 31, 2023. Property taxes accounted for 20.8% of total revenue for the year (see Graph A-1 for breakdown of Governmental Activities).

**Table A-2
Condensed Statements of Activities
Years Ended December 31, 2023 and 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,411,657	\$ 2,782,968	\$ 6,207,277	\$ 7,059,572	\$ 8,618,934	\$ 9,842,540
Operating Grants and Contributions	600,339	307,907	-	-	600,339	307,907
General Revenues:						
Property Taxes	4,196,795	4,008,775	-	-	4,196,795	4,008,775
Tax Increments	598,343	604,393	-	-	598,343	604,393
Grants and Contributions, Not Restricted	1,175,756	847,708	-	-	1,175,756	847,708
Unrestricted Investment Earnings	115,648	(96,851)	37,548	(68,179)	153,196	(165,030)
Miscellaneous	4,427,010	1,591,542	391,050	474,885	4,818,060	2,066,427
Total Revenues	13,525,548	10,046,442	6,635,875	7,466,278	20,161,423	17,512,720
EXPENSES						
General Government	1,323,055	1,285,493	-	-	1,323,055	1,285,493
Public Safety	1,459,518	1,183,586	-	-	1,459,518	1,183,586
Highways and Streets	3,917,999	1,355,303	-	-	3,917,999	1,355,303
Economic Development	3,475,474	1,209,668	-	-	3,475,474	1,209,668
Community Services	2,352,028	2,485,724	-	-	2,352,028	2,485,724
Debt Service	1,142,716	518,752	-	-	1,142,716	518,752
Municipal Liquor	-	-	3,605,473	3,509,870	3,605,473	3,509,870
Sewer	-	-	2,376,611	2,022,013	2,376,611	2,022,013
Total Expenses	13,670,790	8,038,526	5,982,084	5,531,883	19,652,874	13,570,409
INCREASE IN NET POSITION BEFORE TRANSFERS						
	(145,242)	2,007,916	653,791	1,934,395	508,549	3,942,311
Transfers	4,341,073	(720,741)	(4,341,073)	62,698	-	(658,043)
CHANGE IN NET POSITION						
	4,195,831	1,287,175	(3,687,282)	1,997,093	508,549	3,284,268
Net Position - Beginning of Year	36,020,487	34,733,312	23,525,845	21,528,752	59,546,332	56,262,064
NET POSITION - END OF YEAR						
	<u>\$ 40,216,318</u>	<u>\$ 36,020,487</u>	<u>\$ 19,838,563</u>	<u>\$ 23,525,845</u>	<u>\$ 60,054,881</u>	<u>\$ 59,546,332</u>

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues surpassed expenses, increasing net position \$4,195,831 from the prior year. This compares to a \$3,284,268 increase in net position in 2022. The increase in net position from 2022 to 2023 is largely a result of increased revenues from various sources offsetting increases in expenses.

The City-wide cost of all activities this year was \$19,652,874. Governmental activities and business-type activities comprised of \$13,670,790 and \$5,982,084, respectively.

- A total of \$8,618,934 of the cost was paid by the users of the City's programs, comprised of: \$2,411,657 for governmental activities and \$8,618,934 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$600,339. Restricted state-aid comprised a majority of the revenue in this classification.
- The City's governmental activities' program expenses exceeded program revenues by \$10,658,794 (see Table A-3).

See Graph A-1 and A-2 for a breakdown of the City's revenues and expenses for governmental activities.

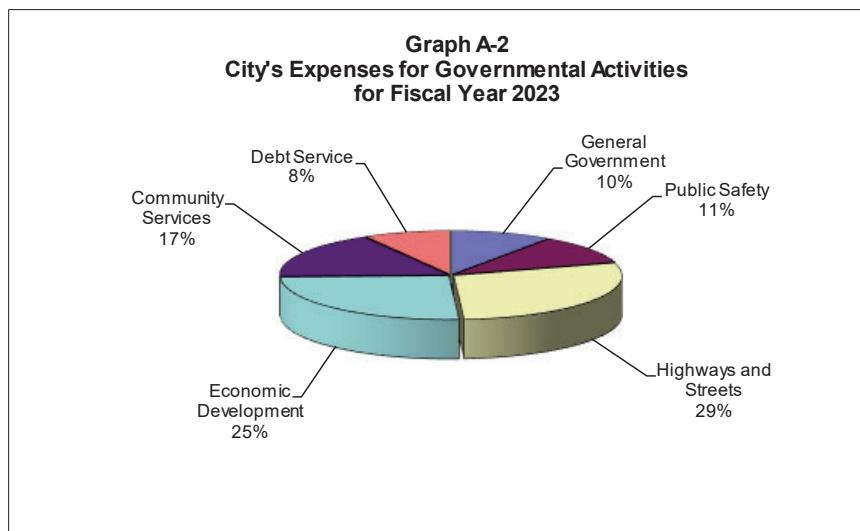
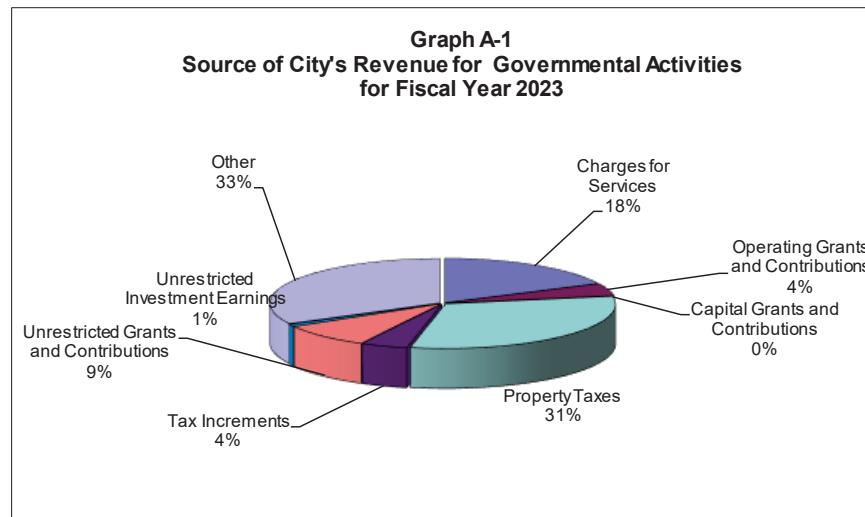
**Table A-3
Cost of Services Analysis**

	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2023	2022		2023	2022	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,323,055	\$ 1,285,493	2.9 %	\$ (633,741)	\$ (650,846)	2.6 %
Public Safety	1,459,518	1,183,586	23.3	(821,358)	(781,534)	(5.1)
Highways and Streets	3,917,999	1,355,303	189.1	(3,323,864)	(359,243)	(825.2)
Economic Development	3,475,474	1,209,668	187.3	(3,068,870)	(834,806)	(267.6)
Community Services	2,352,028	2,485,724	(5.4)	(1,668,245)	(1,802,470)	7.4
Debt Service	1,142,716	518,752	120.3	(1,142,716)	(518,752)	(120.3)
Total	<u>\$ 13,670,790</u>	<u>\$ 8,038,526</u>		<u>\$ (10,658,794)</u>	<u>\$ (4,947,651)</u>	
BUSINESS-TYPE ACTIVITIES						
Municipal Liquor	\$ 3,605,473	\$ 3,509,870	2.7 %	\$ 325,089	\$ 293,035	10.9 %
Sewer	2,376,611	2,022,013	17.5	(99,896)	1,234,654	(108.1)
Total	<u>\$ 5,982,084</u>	<u>\$ 5,531,883</u>		<u>\$ 225,193</u>	<u>\$ 1,527,689</u>	

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$18,257,672.

Revenues for the City's governmental funds were \$13,505,660, while total expenditures were \$25,928,532. Total expenditures include \$4,010,542 of bond and loan principal payments and \$994,695 of expenditures for interest related to the City's long-term debt.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund increased by \$416,305 in 2023 to an ending balance of \$3,661,044. This compares to an increase of \$3,244,739 in 2022.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

	Year Ended December 31,		Change	
	2023	2022	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 2,995,144	\$ 2,914,561	\$ 80,583	2.8 %
Special Assessments	1,427	129	1,298	1006.2
Licenses and Permits	908,351	802,467	105,884	13.2
Intergovernmental	1,174,895	812,355	362,540	44.6
Charges for Services	629,787	629,073	714	0.1
Investment Earnings	32,376	(46,618)	78,994	(169.4)
Miscellaneous	155,004	145,178	9,826	6.8
Total	\$ 5,896,984	\$ 5,257,145	\$ 639,839	12.2

Total General Fund revenue increased by \$639,839 from the previous year. Taxes continue to be the significant source of funding in the general fund, comprising 50.8% of the total general fund revenues for 2023. The City has increased its reliance upon intergovernmental revenues in recent years, which make up 19.9% of general fund revenues for 2023.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended December 31,		Change	
	2023	2022	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 993,935	\$ 1,042,057	\$ (48,122)	(4.6)%
Public Safety	717,856	536,757	181,099	33.7
Highways and Streets	622,952	520,260	102,692	19.7
Community Services	1,821,025	1,613,346	207,679	12.9
Total	\$ 4,155,768	\$ 3,712,420	\$ 443,348	11.9

Expenditures were up across all departments except the General Fund in 2023 compared to 2022. Professional services were up due to the increase in economic development.

General Fund Budgetary Highlights

The 2023 General Fund budget anticipated a balanced budget. Revenues plus other financing sources were expected to be \$4,861,600 while expenditures and other financing were expected to be \$4,190,700. The motor vehicle activities are included in the General Fund and typically represent about 5% of all expenditures and other financing uses in the General Fund.

The budget for building permit revenues was a conservative estimate since the City cannot always predict the amount of permits each year and the budget was exceeded in 2023 by \$439,077 due to new developments both residential and commercial. In total revenues were greater than the budget by \$1,035,384 while expenditures were under budget by \$34,932.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for projects and equipment purchases completed by the City. Annually the City budgets transfers into this fund, mostly from the General Fund, to pay for those equipment purchases and projects.

DEBT SERVICE FUND

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

TIF #13 GRANITE WORKS REDEVELOPMENT

The TIF #13 Granite Works Redevelopment Special Revenue Fund accounts for the bond proceeds, payments and economic development activity for the Granite Works Redevelopment TIF district.

CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net position can occur from year to year. For fiscal year 2023, enterprise funds net income before contributions and transfers was \$619,016 compared to \$1,922,395 in 2022. The following table (A-6) shows a summary of operations for the enterprise funds.

Table A-6
Enterprise Funds Summary of Operations

	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues	Nonoperating Expenses	Net Income Before Capital Contributions and Transfers
Municipal Liquor:						
2023	\$ 1,120,946	\$ 790,952	\$ 329,994	\$ 7,884	\$ 4,905	\$ 332,973
2022	1,071,684	770,979	300,705	(13,162)	7,670	279,873
Increase / (Decrease)	<u>\$ 49,262</u>	<u>\$ 19,973</u>	<u>\$ 29,289</u>	<u>\$ 21,046</u>	<u>\$ (2,765)</u>	<u>\$ 53,100</u>
Sewer:						
2023	\$ 1,908,450	\$ 2,183,833	\$ (275,383)	\$ 754,204	\$ 192,778	\$ 286,043
2022	2,561,750	1,867,629	694,121	1,102,785	154,384	1,642,522
Increase / (Decrease)	<u>\$ (653,300)</u>	<u>\$ 316,204</u>	<u>\$ (969,504)</u>	<u>\$ (348,581)</u>	<u>\$ 38,394</u>	<u>\$ (1,356,479)</u>
Total:						
2023	\$ 3,029,396	\$ 2,974,785	\$ 54,611	\$ 762,088	\$ 197,683	\$ 619,016
2022	3,633,434	2,638,608	994,826	1,089,623	162,054	1,922,395
Increase / (Decrease)	<u>\$ (604,038)</u>	<u>\$ 336,177</u>	<u>\$ (940,215)</u>	<u>\$ (327,535)</u>	<u>\$ 35,629</u>	<u>\$ (1,303,379)</u>

Municipal Liquor

Total sales for the fund increased \$127,657 while the cost of goods sold increased \$78,95. Operating income for the year saw an increase of \$49,262 or 4.6%.

Sanitary Sewer

Rates remained consistent during 2023. At the end of the year, the fund showed net income before transfers of \$286,043 compared to net income before transfers of \$1,642,522 in 2022.

CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023

CAPITAL ASSETS

By the end of 2023, the City had invested approximately \$80 million, net of accumulated depreciation and amortization, in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure (see Table A-7). (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation and amortization expense for the year was \$1,734,092 for the enterprise funds.

Table A-7
The City's Capital Assets

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2023	2022		2023	2022	
Land	\$ 6,115,878	\$ 5,899,887	3.7 %	\$ 131,434	\$ 131,434	- %
Construction in Progress	5,234,412	4,732,474	10.6	149,814	2,032,531	(92.6)
Land Improvements	4,662,800	4,662,799	0.0	72,500	72,500	-
Buildings and Building Improvements	13,320,866	8,951,094	48.8	15,825,245	11,625,159	36.1
Infrastructure and Infrastructure Improvements	38,881,727	33,889,049	14.7	18,673,832	18,644,325	0.2
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,277,525	6,242,217	0.6	690,651	801,748	(13.9)
Leasehold Improvements	-	-	-	190,550	190,550	-
Right-to-Use Assets - Buildings	-	-	-	309,693	309,693	-
Less: Accumulated Depreciation	(17,499,808)	(15,919,444)	9.9	(12,598,610)	(11,932,035)	5.6
Total	<u>\$ 56,993,400</u>	<u>\$ 48,458,076</u>	17.6	<u>\$ 23,445,109</u>	<u>\$ 21,875,905</u>	7.2

Major capital asset transaction/events during the current fiscal year included:

- Construction of McKinley Parkway Southwest in the Greywood development was completed and capitalized at a cost of \$1,703,880.
- The 2021 Street project was completed and capitalized at a cost of \$1,861,117.
- Another governmental activity project was the completion of the joint facility for the City's public works and the Delano Municipal Utility crew. This project was completed and capitalized in 2023 at a cost of \$4,318,052 within Governmental Activities and \$1,837,500 in Business-Type Activities.
- For business-type activities the main focus has been the ongoing expansion of the wastewater treatment plant which was completed and capitalized in 2023 at a cost of \$2,362,586.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

LONG-TERM OBLIGATIONS

At year-end, the City had approximately \$49 million in long-term liabilities outstanding.

- The City's governmental activities total long-term liabilities increased \$14,429,696, due primarily to the governmental activities portion of the 2023A and 2023B bond issuances in 2023.
- The City's business-type activities total long-term liabilities increased \$794,170 due primarily to the business-type portion of the 2023A bond issuance in 2023.

**Table A-8
The City's Long-Term Liabilities**

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2023	2022		2023	2022	
G.O. Bonds	\$ 15,095,689	\$ 8,515,000	77.3 %	\$ -	\$ -	-
G.O. Tax Increment Bonds	4,435,000	2,790,000	59.0	-	-	-
G.O. Special Assessment Bonds	9,135,000	9,665,000	(5.5)	-	-	-
G.O. Revenue Bonds	3,207,648	1,117,160	187.1	7,256,581	3,997,896	81.5 %
G.O. Tax Abatement Bonds	1,590,000	1,670,000	(4.8)	-	-	-
G.O. Bonds - Commission	5,470,082	1,889,944	189.4	-	-	-
Premium	2,185,000	1,047,515	108.6	492,608	214,111	130.1 %
Discount	-	-	-	-	(2,342)	(100.0)%
Lease Liability	-	-	-	122,640	217,549	(43.6)%
Compensated Absences	246,230	229,846	7.1	69,960	68,520	2.1 %
Other Postemployment Benefits	19,854	30,342	(34.6)	5,802	8,505	(31.8)%
Total	\$ 41,384,503	\$ 26,954,807	53.5	\$ 7,947,591	\$ 4,504,239	76.4 %

FACTORS BEARING ON THE CITY'S FUTURE

Many factors were considered when the City's budget was prepared for 2023 and for 2024. Some of the more important ones are as follows:

- The City issued 104 new home permits in 2022 and another 71 in 2023. These had a value of \$28,187,388 in 2022 and \$20,174,574 in 2023.
- Values for all permits have been \$26, \$29, \$87, \$35, and \$41 million for the years 2019 through 2023, respectively.
- The City's tax capacity has grown from \$6.6 million in 2019 to \$11.9 million in 2024. An average of 12.5 percent per year with a 20.8 percent increase two years ago and a 21.4 percent increase this past year.
- The median household income for Delano was \$105,766 compared to the State median household income of \$90,390.
- The impacts on cost of services due to the continuing effects of inflation.

The City maintains an adequate fund balance and working capital at year-end in the General Fund to avoid cash borrowings until property tax revenues are received around mid-year.

The City annually reviews sanitary sewer and storm water rates to determine if cash flow needs are adequate to meet expected outflows for the coming year and the following five years. Rates for both sanitary sewer and storm water have remained level since 2015.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the City of Delano's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Delano, City Finance Director, P.O. Box 108, Delano, MN 55328. This report is also available on the City's website: www.delano.mn.us.

BASIC FINANCIAL STATEMENTS

CITY OF DELANO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Total	Component Unit Delano Water, Light, and Power Commission
ASSETS				
Cash and Investments	\$ 15,388,537	\$ 1,433,019	\$ 16,821,556	\$ 2,936,602
Accounts Receivable	176,285	7,211	183,496	1,189,133
Taxes Receivable	82,904	-	82,904	-
Special Assessments Receivable	7,449,375	-	7,449,375	-
Internal Balances	(3,012,822)	3,012,822	-	-
Note Receivable	30,677	-	30,677	-
Due from Other Governmental Units	88,616	-	88,616	-
Note Receivable - Commission	5,470,082	-	5,470,082	-
Inventories	-	569,274	569,274	2,054,536
Prepaid Items	27,213	57,251	84,464	87
Due from Primary Government/Component Unit	37,148	188,921	226,069	-
Land Held for Resale	1,053,275	-	1,053,275	-
Net Pension Asset	332,494	-	332,494	-
Lease Receivable	8,435	-	8,435	-
Capital Assets:				
Capital Assets, Not Being Depreciated	11,350,290	281,248	11,631,538	4,700,961
Capital Assets, Being Depreciated and Amortized, Net	45,643,110	23,163,861	68,806,971	29,068,982
Total Assets	<u>84,125,619</u>	<u>28,713,607</u>	<u>112,839,226</u>	<u>39,950,301</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	650,846	122,158	773,004	228,023
Total Deferred Outflows of Resources	<u>650,846</u>	<u>122,158</u>	<u>773,004</u>	<u>228,023</u>
LIABILITIES				
Accounts Payable	252,300	284,995	537,295	528,589
Contracts Payable	433,110	98,688	531,798	-
Accrued Compensation	110,824	27,635	138,459	47,922
Sales Tax Payable	-	42,150	42,150	-
Due to Other Governmental Units	174,428	-	174,428	209,053
Due to Primary Government/Component Unit	-	-	-	226,069
Deposits	-	4,743	4,743	95,955
Unearned Revenue	-	-	-	517,106
Accrued Interest Payable	450,835	122,815	573,650	138,572
Noncurrent Liabilities:				
Lease Liability - Due within One Year	-	97,747	97,747	170,262
Lease Liability - Due in More than One year	-	24,893	24,893	1,202,012
Net Pension Liability	1,204,711	355,425	1,560,136	743,721
Due within One Year	1,518,357	413,200	1,931,557	743,235
Due in More than One Year	39,846,292	7,405,949	47,252,241	6,079,865
Total OPEB Liability	19,854	5,802	25,656	-
Total Liabilities	<u>44,010,711</u>	<u>8,884,042</u>	<u>52,894,753</u>	<u>10,702,361</u>
DEFERRED INFLOWS OF RESOURCES				
Regulatory Collections to Cover Future Costs	-	-	-	555,549
Deferred Inflow - Gain on Refunding	55,409	-	55,409	-
Deferred Inflow - Leases	8,435	-	8,435	-
Pension Related	485,592	113,160	598,752	278,487
Total Deferred Inflows of Resources	<u>549,436</u>	<u>113,160</u>	<u>662,596</u>	<u>834,036</u>
NET POSITION				
Net Investment in Capital Assets	18,405,157	17,429,579	35,834,736	25,656,940
Restricted for:				
Economic Development Activities	453,598	-	453,598	-
Park Improvements	401,821	-	401,821	-
Future Debt Retirement	14,928,383	-	14,928,383	-
Developer Projects	12,893	-	12,893	-
Park Dedication	929,568	-	929,568	-
Capital Projects	522,180	-	522,180	-
Fire Equipment	845,761	-	845,761	-
Fire Building	402,501	-	402,501	-
Fire Department	465,473	-	465,473	-
Unrestricted	2,848,983	2,408,984	5,257,967	2,984,987
Total Net Position	<u>\$ 40,216,318</u>	<u>\$ 19,838,563</u>	<u>\$ 60,054,881</u>	<u>\$ 28,641,927</u>

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Fee, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grand and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,323,055	\$ 689,314	\$ -	\$ -
Public Safety	1,459,518	244,894	393,266	-
Highways and Streets	3,917,999	510,478	83,657	-
Economic Development	3,475,474	401,604	5,000	-
Community Services	2,352,028	565,367	118,416	-
Interest on Long-Term Debt	1,142,716	-	-	-
Total Governmental Activities	13,670,790	2,411,657	600,339	-
BUSINESS-TYPE ACTIVITIES				
Municipal Liquor	3,605,473	3,930,562	-	-
Sewer	2,376,611	2,276,715	-	-
Total Business-Type Activities	5,982,084	6,207,277	-	-
Total Primary Government	19,652,874	8,618,934	600,339	-
COMPONENT UNIT				
Delano Water, Light, and Power Commission	9,207,543	10,033,527	-	121,618
Total	\$ 28,860,417	\$ 18,652,461	\$ 600,339	\$ 121,618

GENERAL REVENUES AND TRANSFERS

Taxes:

Property Taxes

Tax Increment

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Net Revenue (Expense) and Changes in Net Position			Component Unit	
Governmental Activities	Business-Type Activities	Total	Delano Water, Light, and Power Commission	
\$ (633,741)	\$ -	\$ (633,741)	\$ -	
(821,358)	-	(821,358)	-	
(3,323,864)	-	(3,323,864)	-	
(3,068,870)	-	(3,068,870)	-	
(1,668,245)	-	(1,668,245)	-	
(1,142,716)	-	(1,142,716)	-	
<u>(10,658,794)</u>	<u>-</u>	<u>(10,658,794)</u>	<u>-</u>	
-	325,089	325,089	-	
-	(99,896)	(99,896)	-	
<u>-</u>	<u>225,193</u>	<u>225,193</u>	<u>-</u>	
(10,658,794)	225,193	(10,433,601)	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>947,602</u>	
(10,658,794)	225,193	(10,433,601)	947,602	
4,196,795	-	4,196,795	-	
598,343	-	598,343	-	
1,175,756	-	1,175,756	-	
115,648	37,548	153,196	-	
4,427,010	391,050	4,818,060	(17,560)	
4,341,073	(4,341,073)	-	-	
<u>14,854,625</u>	<u>(3,912,475)</u>	<u>10,942,150</u>	<u>(17,560)</u>	
4,195,831	(3,687,282)	508,549	930,042	
<u>36,020,487</u>	<u>23,525,845</u>	<u>59,546,332</u>	<u>27,711,885</u>	
<u>\$ 40,216,318</u>	<u>\$ 19,838,563</u>	<u>\$ 60,054,881</u>	<u>\$ 28,641,927</u>	

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2023

	General	Capital Projects	Debt Service	TIF #13 Granite Works	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 3,812,918	\$ 5,705,422	\$ 2,505,576	\$ 683,560	\$ 2,681,061	\$ 15,388,537
Accounts Receivable	81,969	754	-	-	99,673	182,396
Note Receivable	-	-	5,470,082	-	30,677	5,500,759
Taxes Receivable	60,442	-	20,543	-	1,919	82,904
Special Assessments Receivable	14,657	14,604	7,414,003	-	-	7,443,264
Due from Other Funds	-	911,722	-	-	73,445	985,167
Due from Component Unit	17,016	-	-	-	20,132	37,148
Land Held for Resale	-	600,000	-	-	453,275	1,053,275
Due from Other Governmental Units	49,859	-	2,566	-	36,191	88,616
Prepaid Items	27,213	-	-	-	-	27,213
Lease Receivable	8,435	-	-	-	-	8,435
Total Assets	\$ 4,072,509	\$ 7,232,502	\$ 15,412,770	\$ 683,560	\$ 3,396,373	\$ 30,797,714
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 76,791	\$ 362,743	\$ 33,552	\$ 15,097	\$ 131,031	\$ 619,214
Contracts Payable	-	66,196	-	-	-	66,196
Accrued Compensation	77,601	-	-	-	33,223	110,824
Due to Other Funds	-	1,775,073	-	-	1,152,476	2,927,549
Advances from Other Funds	-	-	-	-	1,070,440	1,070,440
Due to Other Governmental Units	173,539	46	-	-	843	174,428
Deposits	-	-	-	-	-	-
Total Liabilities	327,931	2,204,058	33,552	15,097	2,388,013	4,968,651
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	75,099	14,597	7,434,546	-	38,714	7,562,956
Deferred Inflow - Leases	8,435	-	-	-	-	8,435
Total Deferred Inflows of Resources	83,534	14,597	7,434,546	-	38,714	7,571,391
FUND BALANCE						
Nonspendable for Prepaid Items	27,213	-	-	-	-	27,213
Nonspendable for Land Held for Resale	-	600,000	-	-	453,275	1,053,275
Restricted:						
Economic Development Activities	-	-	-	668,463	468,695	1,137,158
Park Improvements	-	-	-	-	401,821	401,821
Future Debt Retirement	-	-	7,944,672	-	-	7,944,672
Developer Projects	-	12,893	-	-	-	12,893
Park Dedication	-	929,568	-	-	-	929,568
Capital Projects	-	3,424,448	-	-	-	3,424,448
Fire Equipment	-	-	-	-	845,761	845,761
Fire Building	-	-	-	-	402,501	402,501
Fire Department	-	-	-	-	465,473	465,473
Committed for Senior Activities	-	-	-	-	202,538	202,538
Assigned:						
Community Room	-	46,938	-	-	-	46,938
Unassigned	3,633,831	-	-	-	(2,270,418)	1,363,413
Total Fund Balance	3,661,044	5,013,847	7,944,672	668,463	969,646	18,257,672
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,072,509	\$ 7,232,502	\$ 15,412,770	\$ 683,560	\$ 3,396,373	\$ 30,797,714

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balance for Governmental Funds \$ 18,257,672

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and Land Improvements	10,778,678
Construction in Progress	5,234,412
Buildings and Building Improvements	13,320,866
Infrastructure and Infrastructure Improvements	38,881,727
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,277,525
Less: Accumulated Depreciation	(17,499,808)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.

Delinquent Property Taxes	82,904
Delinquent and Unavailable Special Assessments	7,449,375
Loans Receivable	30,677

The City's net pension liability and net pension asset and the related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Asset	332,494
Net Pension Liability	(1,204,711)
Deferred Outflow of Resources - Pension	650,846
Deferred Inflows of Resources - Pension	(485,592)

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.

Bonds and Notes Payable	(38,933,419)
Bond Premiums	(2,185,000)
Compensated Absences	(246,230)
Other Postemployment Benefits	(19,854)
Accrued Interest Payable	(450,835)
Gain on Refunding	<u>(55,409)</u>

Total Net Position of Governmental Activities \$ 40,216,318

CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

	General	Capital Projects	Debt Service	TIF #13 Granite Works	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 2,995,144	\$ -	\$ 1,081,767	\$ -	\$ 99,372	\$ 4,176,283
Tax Increment	-	-	-	21,375	562,822	584,197
Special Assessments	1,427	78,720	5,409	-	-	85,556
Licenses and Permits	908,351	-	-	-	44	908,395
Intergovernmental	1,174,895	264,695	-	133,797	90,563	1,663,950
Charges for Services	629,787	421,238	-	-	834,146	1,885,171
Investment Earnings	32,376	41,889	10,716	-	32,900	117,881
Rental Income	-	10,779	-	-	16,390	27,169
Miscellaneous	155,004	30,000	3,725,516	-	146,538	4,057,058
Total Revenues	5,896,984	847,321	4,823,408	155,172	1,782,775	13,505,660
EXPENDITURES						
Current:						
General Government	993,935	64,287	-	-	-	1,058,222
Public Safety	717,856	2,093	-	-	520,436	1,240,385
Highways and Streets	622,952	12,189,684	-	-	-	12,812,636
Economic Development	-	1,565,440	-	789,739	725,028	3,080,207
Community Services	1,821,025	379,483	-	-	531,337	2,731,845
Debt Service:						
Principal	-	-	1,475,542	2,535,000	-	4,010,542
Interest and Fiscal Charges	-	-	930,150	15,210	49,335	994,695
Total Expenditures	4,155,768	14,200,987	2,405,692	3,339,949	1,826,136	25,928,532
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,741,216	(13,353,666)	2,417,716	(3,184,777)	(43,361)	(12,422,872)
OTHER FINANCING SOURCES (USES)						
Transfers In	475,000	5,395,200	801,276	-	791,955	7,463,431
Transfers Out	(1,799,911)	-	(71,581)	(514,459)	(736,407)	(3,122,358)
Premium on Bonds	-	864,424	31,437	257,985	-	1,153,846
Issuance of Debt	-	12,958,237	471,261	3,867,359	-	17,296,857
Proceeds on Capital Asset Disposal	-	5,000	-	-	-	5,000
Total Other Financing Sources (Uses)	(1,324,911)	19,222,861	1,232,393	3,610,885	55,548	22,796,776
NET CHANGE IN FUND BALANCE	416,305	5,869,195	3,650,109	426,108	12,187	10,373,904
Fund Balance - Beginning of Year	3,244,739	(855,348)	4,294,563	242,355	957,459	7,883,768
FUND BALANCE - END OF YEAR	\$ 3,661,044	\$ 5,013,847	\$ 7,944,672	\$ 668,463	\$ 969,646	\$ 18,257,672

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 10,373,904

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	10,269,416
Depreciation Expense	(1,734,092)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	14,888
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Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(16,384)
Other Postemployment Benefits and related Deferred Outflows and Inflows of Resources	10,488

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and net pension asset and the related deferred outflows and inflows of resources.	(69,587)
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond Proceeds	(17,296,857)
Change in Bond Premiums	(1,137,485)
Repayment of Bond Principal	4,010,542
Change in Gain on Refunding	4,783
Change in Accrued Interest Expense for General Obligation Bonds	<u>(233,785)</u>

Change in Net Position of Governmental Activities	<u>\$ 4,195,831</u>
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CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Municipal Liquor	Sewer	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 984,039	\$ 448,980	\$ 1,433,019
Accounts Receivable	-	7,211	7,211
Due from Other Funds	-	1,942,382	1,942,382
Due from Discretely Presented Component Unit	-	188,921	188,921
Inventories	569,274	-	569,274
Prepaid Items	-	57,251	57,251
Total Current Assets	<u>1,553,313</u>	<u>2,644,745</u>	<u>4,198,058</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	1,070,440	1,070,440
Capital Assets:			
Utility Plant Capital Investments	-	34,703,010	34,703,010
Furniture, Fixtures, Vehicles, Equipment, and Machinery	42,427	648,225	690,652
Leasehold Improvements	190,550	-	190,550
Construction in Progress	-	149,814	149,814
Right-to-Use Assets	309,693	-	309,693
Total Capital Assets	<u>542,670</u>	<u>35,501,049</u>	<u>36,043,719</u>
Less: Accumulated Depreciation and Amortization	<u>(326,289)</u>	<u>(12,272,321)</u>	<u>(12,598,610)</u>
Total Net Capital Assets	<u>216,381</u>	<u>23,228,728</u>	<u>23,445,109</u>
Total Noncurrent Assets	<u>216,381</u>	<u>24,299,168</u>	<u>24,515,549</u>
Total Assets	1,769,694	26,943,913	28,713,607
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	<u>61,147</u>	<u>61,011</u>	<u>122,158</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,830,841</u>	<u>\$ 27,004,924</u>	<u>\$ 28,835,765</u>

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Municipal Liquor	Sewer	Total
CURRENT LIABILITIES			
Accounts Payable	\$ 197,234	\$ 87,761	\$ 284,995
Contracts Payable	-	98,688	98,688
Accrued Compensation	14,560	13,075	27,635
Compensated Absences, Current Portion	11,762	20,233	31,995
Sales Tax Payable	42,150	-	42,150
Deposits	4,743	-	4,743
Accrued Interest Payable	-	122,815	122,815
Current Portion of Long-Term Debt	97,747	381,205	478,952
Total Current Liabilities	368,196	723,777	1,091,973
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	-	7,367,984	7,367,984
Lease Liability	24,893	-	24,893
Compensated Absences	22,062	15,903	37,965
Other Postemployment Benefits	3,200	2,602	5,802
Net Pension Liability	177,910	177,515	355,425
Total Long-Term Liabilities	228,065	7,564,004	7,792,069
Total Liabilities	596,261	8,287,781	8,884,042
DEFERRED INFLOWS OF RESOURCES			
Pension Related	56,643	56,517	113,160
NET POSITION			
Net Investment in Capital Assets	93,741	15,479,539	15,573,280
Unrestricted	1,084,196	3,181,087	4,265,283
Total Net Position	1,177,937	18,660,626	19,838,563
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,830,841</u>	<u>\$ 27,004,924</u>	<u>\$ 28,835,765</u>

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	Municipal Liquor	Sewer	Total
OPERATING REVENUES			
Sales	\$ 3,930,562	\$ 1,908,450	\$ 5,839,012
Costs of Goods Sold	<u>(2,809,616)</u>	-	<u>(2,809,616)</u>
Total Operating Revenues	<u>1,120,946</u>	<u>1,908,450</u>	<u>3,029,396</u>
OPERATING EXPENSES			
Employee Salaries and Benefits	375,158	392,225	767,383
Administrative, Maintenance, and General Expenses	<u>296,517</u>	<u>1,125,100</u>	<u>1,421,617</u>
Depreciation and Amortization	<u>119,277</u>	<u>666,508</u>	<u>785,785</u>
Total Operating Expenses	<u>790,952</u>	<u>2,183,833</u>	<u>2,974,785</u>
OPERATING INCOME	329,994	(275,383)	54,611
OTHER INCOME (EXPENSES)			
Permits and Fees	-	675,044	675,044
Investment Earnings	7,723	79,160	86,883
Interest and Fiscal Charges	<u>(4,905)</u>	<u>(192,778)</u>	<u>(197,683)</u>
Miscellaneous Revenue	161	-	161
Total Other Income	<u>2,979</u>	<u>561,426</u>	<u>564,405</u>
NET INCOME BEFORE CONTRIBUTIONS, GAIN, AND TRANSFERS	332,973	286,043	619,016
Capital Contributions	-	34,775	34,775
Transfers Out	<u>(125,000)</u>	<u>(4,216,073)</u>	<u>(4,341,073)</u>
CHANGE IN NET POSITION	207,973	(3,895,255)	(3,687,282)
Net Position - Beginning of Year	<u>969,964</u>	<u>22,555,881</u>	<u>23,525,845</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,177,937</u></u>	<u><u>\$ 18,660,626</u></u>	<u><u>\$ 19,838,563</u></u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	Municipal Liquor	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 3,930,633	\$ 1,917,222	\$ 5,847,855
Cash Paid to Suppliers and Others	(3,089,297)	(1,254,086)	(4,343,383)
Cash Paid to Employees	(386,224)	(371,932)	(758,156)
Net Cash Provided by Operating Activities	<u>455,112</u>	<u>291,204</u>	<u>746,316</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	161	675,044	675,205
Transfers Out	(125,000)	(4,216,073)	(4,341,073)
Payments to / Receipts from Other Funds	-	967,073	967,073
Payments to / Receipts from Other Governments	<u>-</u>	<u>(4,222)</u>	<u>(4,222)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(124,839)</u>	<u>(2,578,178)</u>	<u>(2,703,017)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(8,113)	(2,312,101)	(2,320,214)
Proceeds on Revenue Bonds	-	3,915,339	3,915,339
Issuance Costs of Long- Term Debt	-	(6,474)	(6,474)
Principal Paid on Leases	(94,909)	-	(94,909)
Principal Payments on Revenue Bonds	-	(359,458)	(359,458)
Interest Paid on Long-Term Debt	<u>(4,905)</u>	<u>(121,785)</u>	<u>(126,690)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(107,927)</u>	<u>1,115,521</u>	<u>1,007,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>7,723</u>	<u>79,160</u>	<u>86,883</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
	230,069	(1,092,293)	(862,224)
Cash and Cash Equivalents - Beginning of Year	<u>753,970</u>	<u>1,541,273</u>	<u>2,295,243</u>
CASH AND CASH EQUIVALENTS - END OF YEAR			
	<u><u>\$ 984,039</u></u>	<u><u>\$ 448,980</u></u>	<u><u>\$ 1,433,019</u></u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Municipal Liquor	Sewer	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 329,994	\$ (275,383)	\$ 54,611
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	119,277	666,508	785,785
(Increase) Decrease in Assets:			
Accounts Receivable	71	8,772	8,843
Inventories	(22,408)	-	(22,408)
Increase (Decrease) in Liabilities:			
Accounts Payable	(1,291)	67,026	65,735
Salaries and Benefits Payable	(28,659)	1,314	(27,345)
Accrued Sales Tax	27,920	-	27,920
Net Cash Provided by Operating Activities	<u><u>\$ 455,112</u></u>	<u><u>\$ 291,204</u></u>	<u><u>\$ 746,316</u></u>
NONCASH ACTIVITIES			
Capital Asset Additions from Governmental Activities	<u><u>\$ -</u></u>	<u><u>\$ 34,775</u></u>	<u><u>\$ 34,775</u></u>

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2023

	Custodial Fund - Licenses
ASSETS	
Cash and Cash Equivalents	\$ 167,173
LIABILITIES	
Due to Other Governmental Units	<u>167,173</u>
NET POSITION	
Held for Other Governments	<u><u>\$</u></u> <u><u>-</u></u>

See accompanying Notes to Financial Statements.

CITY OF DELANO, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED DECEMBER 31, 2023

	Custodial Fund - Licenses
ADDITIONS	
Licensing Fees	\$ 6,503,404
DEDUCTIONS	
License Fees Paid to State of Minnesota	<u>6,503,404</u>
NET INCREASE IN FIDUCIARY NET POSITION	-
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ -</u>

See accompanying Notes to Financial Statements.