

**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**

		<b><u>Term Expires</u></b>
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:

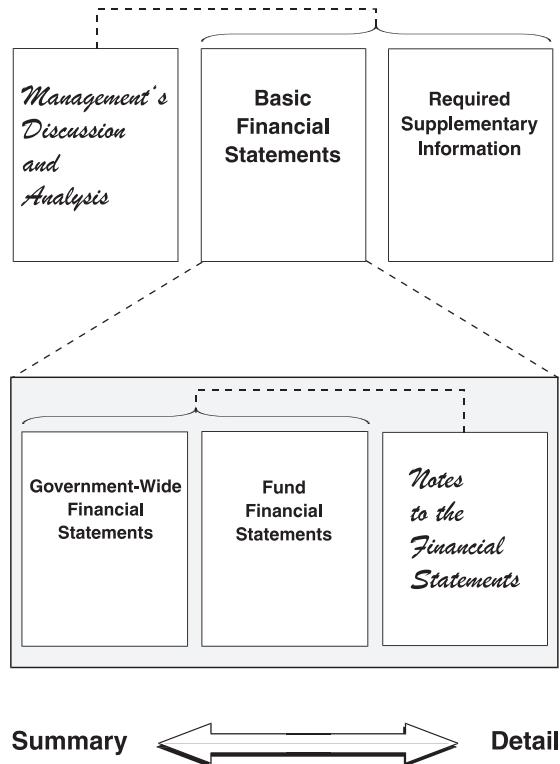
- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more 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.

<b>Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements</b>			
<b>Type of Statements</b>	<b>City-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	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.
<b>Required Financial Statements</b>	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.
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
<b>Type of Asset/Liability Deferred Outflow/Inflow Information</b>	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.
<b>Type of Inflow/Outflow Information</b>	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
<b>Assets:</b>						
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>
<b>Deferred Outflows of Resources</b>	650,846	671,571	122,158	177,312	773,004	848,883
<b>Liabilities:</b>						
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>
<b>Deferred Inflows of Resources</b>	549,436	278,723	113,160	7,083	662,596	285,806
<b>Net Position:</b>						
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
<b>REVENUES</b>						
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
<b>EXPENSES</b>						
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
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>						
	(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)
<b>CHANGE IN NET POSITION</b>						
	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
<b>NET POSITION - END OF YEAR</b>						
	<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.

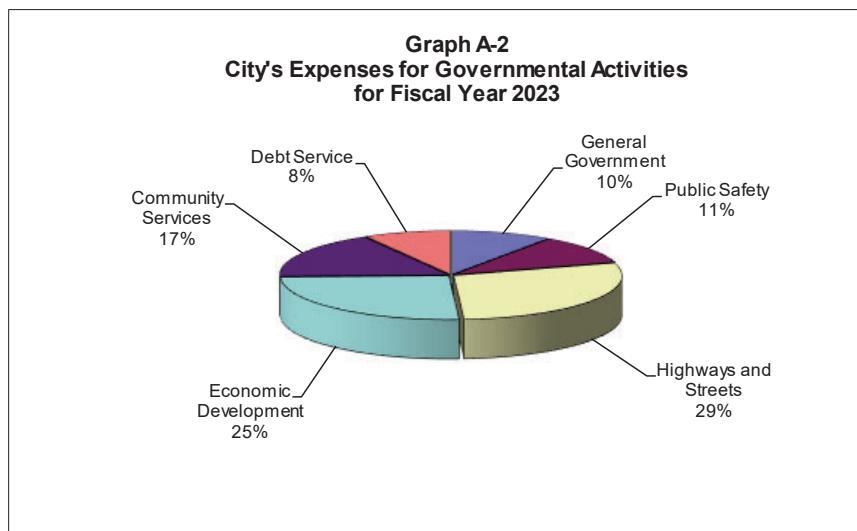
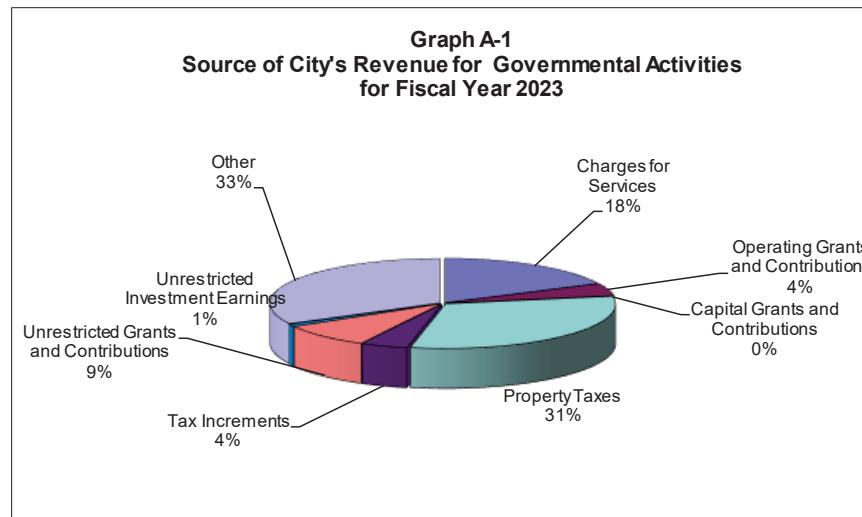
**Table A-3  
Cost of Services Analysis**

	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2023	2022		2023	2022	
<b>GOVERNMENTAL ACTIVITIES</b>						
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>	
<b>BUSINESS-TYPE ACTIVITIES</b>						
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
<b>GENERAL FUND</b>				
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
<b>Total</b>	<b>\$ 5,896,984</b>	<b>\$ 5,257,145</b>	<b>\$ 639,839</b>	<b>12.2</b>

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
<b>GENERAL FUND</b>				
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
<b>Total</b>	<b>\$ 4,155,768</b>	<b>\$ 3,712,420</b>	<b>\$ 443,348</b>	<b>11.9</b>

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)%
<b>Total</b>	<b>\$ 41,384,503</b>	<b>\$ 26,954,807</b>	<b>53.5</b>	<b>\$ 7,947,591</b>	<b>\$ 4,504,239</b>	<b>76.4 %</b>

**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](http://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
<b>ASSETS</b>				
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>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
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>
<b>LIABILITIES</b>				
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>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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>
<b>NET POSITION</b>				
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
<b>GOVERNMENTAL ACTIVITIES</b>				
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	-
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	-
<b>COMPONENT UNIT</b>				
Delano Water, Light, and Power Commission	9,207,543	10,033,527	-	121,618
<b>Total</b>	<b>\$ 28,860,417</b>	<b>\$ 18,652,461</b>	<b>\$ 600,339</b>	<b>\$ 121,618</b>

**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
<b>ASSETS</b>						
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
<b>Total Assets</b>	<b>\$ 4,072,509</b>	<b>\$ 7,232,502</b>	<b>\$ 15,412,770</b>	<b>\$ 683,560</b>	<b>\$ 3,396,373</b>	<b>\$ 30,797,714</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
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	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>327,931</b>	<b>2,204,058</b>	<b>33,552</b>	<b>15,097</b>	<b>2,388,013</b>	<b>4,968,651</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	75,099	14,597	7,434,546	-	38,714	7,562,956
Deferred Inflow - Leases	8,435	-	-	-	-	8,435
<b>Total Deferred Inflows of Resources</b>	<b>83,534</b>	<b>14,597</b>	<b>7,434,546</b>	<b>-</b>	<b>38,714</b>	<b>7,571,391</b>
<b>FUND BALANCE</b>						
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
<b>Total Fund Balance</b>	<b>3,661,044</b>	<b>5,013,847</b>	<b>7,944,672</b>	<b>668,463</b>	<b>969,646</b>	<b>18,257,672</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 4,072,509</b>	<b>\$ 7,232,502</b>	<b>\$ 15,412,770</b>	<b>\$ 683,560</b>	<b>\$ 3,396,373</b>	<b>\$ 30,797,714</b>

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
<b>REVENUES</b>						
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
<b>EXPENDITURES</b>						
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
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	1,741,216	(13,353,666)	2,417,716	(3,184,777)	(43,361)	(12,422,872)
<b>OTHER FINANCING SOURCES (USES)</b>						
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
<b>NET CHANGE IN FUND BALANCE</b>	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
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 3,661,044</b>	<b>\$ 5,013,847</b>	<b>\$ 7,944,672</b>	<b>\$ 668,463</b>	<b>\$ 969,646</b>	<b>\$ 18,257,672</b>

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
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
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>
<b>NONCURRENT ASSETS</b>			
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
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
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**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>Municipal Liquor</b>	<b>Sewer</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>			
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
<b>LONG-TERM LIABILITIES</b>			
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
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	56,643	56,517	113,160
<b>NET POSITION</b>			
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
<b>OPERATING REVENUES</b>			
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>
<b>OPERATING EXPENSES</b>			
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>
<b>OPERATING INCOME</b>	329,994	(275,383)	54,611
<b>OTHER INCOME (EXPENSES)</b>			
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	<u>161</u>	<u>-</u>	<u>161</u>
Total Other Income	<u>2,979</u>	<u>561,426</u>	<u>564,405</u>
<b>NET INCOME BEFORE CONTRIBUTIONS, GAIN, AND TRANSFERS</b>	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>
<b>CHANGE IN NET POSITION</b>	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>
<b>NET POSITION - END OF YEAR</b>	<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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	<u>7,723</u>	<u>79,160</u>	<u>86,883</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
	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>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>			
	<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
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
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>
<b>NONCASH ACTIVITIES</b>			
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**

	<u>Custodial Fund - Licenses</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 167,173
<b>LIABILITIES</b>	
Due to Other Governmental Units	<u>167,173</u>
<b>NET POSITION</b>	
Held for Other Governments	<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
<b>ADDITIONS</b>	
Licensing Fees	\$ 6,503,404
<b>DEDUCTIONS</b>	
License Fees Paid to State of Minnesota	<u>6,503,404</u>
<b>NET INCREASE IN FIDUCIARY NET POSITION</b>	-
Net Position - Beginning of Year	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Delano, located in Wright County in Minnesota, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Delano (the City), the Delano Economic Development Authority (the EDA), a blended component unit of the City, and the Delano Water, Light, and Power Commission, a discretely presented component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The EDA is reported as a blended component unit of the City because the members of the City council serve as the governing board of the EDA.

**Discretely Presented Component Unit**

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component Unit.

**Delano Water, Light, and Power Commission**

The component unit column of the accompanying financial statements includes the financial data of the Delano Water, Light, and Power Commission (the Commission). This financial information is shown in a separate column to emphasize the Commission is legally separate from the City.

The Commission was established under Minnesota Statute 412.321 to manage, control, and operate the light, power, and water utilities of the City. It is governed by a five-member commission appointed by the City's elected council. One Commissioner also served as a Council Member of the City during 2023. The rates for user charges and bond issuance authorization are approved by the commission and the legal liability for the general obligation portion of the Commission's debt remains with the Commission. The separate financial statements of the Commission may be obtained by writing to the Commission at P.O. Box 65, Delano, MN 55328, or by phone at (763) 972-0557.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements**

**Government-Wide 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 primary government and its blended component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

The City reports the following major governmental funds:

**General Fund**

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.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

**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.

The City reports the following major proprietary funds:

**Municipal Liquor Fund**

The municipal liquor fund accounts for customer sales that are used to finance the City owned liquor store operating expenses and provide funds for general operations of the City.

**Sewer Fund**

The sewer fund accounts for the operations of the City-owned sanitary sewer utility system.

Additionally, the City reports the following fiduciary fund types:

**Custodial Funds**

The Motor Vehicle, and Department of Natural Resources funds account for fees collected for other government agencies.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 in 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 government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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 Municipal Liquor Store and Sewer Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Adoption of New Accounting Standards**

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards (Continued)**

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 96. The City did not identify any applicable arrangement, so the implementation of this standard did not have any effect on the City's financial statements.

**Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General Fund and certain Special Revenue Funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council or the Commission. Budgeted expenditure appropriations lapse at year-end.

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

1. Prior to September 1, the administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and General Fund budget are adopted.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted.

**Cash and Investments**

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments in accordance with Minnesota Statutes. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Investments (Continued)**

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, banker's acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Restricted cash consists of amounts that have been established to reflect conditions of bond issues.

**Property Tax Revenue Recognition**

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable resources in the governmental funds because it is not available to finance current expenditures. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

**Special Assessment Revenue Recognition**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with Minnesota Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Special Assessment Revenue Recognition (Continued)**

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent and special assessments receivable in governmental funding are completely offset by unavailable resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to Minnesota Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**Utility Billing**

The City bills customers monthly for electric, sewer, and water utility services. The City bills and recognizes the electric, sewer, and water services revenues on a monthly basis.

**Inventories**

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Liquor store inventories are recorded at average cost.

**Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as Due from Other Funds, Due to Other Funds, Advances to Other Funds, or Advances from Other Funds on the balance sheet of the fund financial statement.

**Capital Assets**

The City capitalizes the following assets: all land and land improvements, assets exceeding \$2,000 and have a useful life exceeding one year. Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes.

Useful lives vary from 10 to 30 years for land improvements, 10 to 50 years for buildings and building improvements, 6 to 50 years for infrastructure and infrastructure improvements, 12 years for leasehold improvements, and 3 to 40 years for furniture, fixtures, vehicles, equipment, and machinery. Capital assets not being depreciated include land and construction in progress. As of January 1, 2004, the City capitalized infrastructure assets for governmental activities prospectively.

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated acquisition value at the time received.

**Net Pension Asset/Liability**

For purposes of measuring the net pension asset, 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 Delano Firefighters Relief Association Plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

**Compensated Absences**

**Vacation**

City employees earn vacation days based upon the number of completed years of service. The City compensates eligible employees who retire from active service or are terminated in good standing after 20 years of employment with the City for unused vacation, not to exceed 30 days, upon separation. Accordingly, the expenditure for vacation is recognized as it is used in the governmental funds and is recognized as it is earned in the proprietary funds. Accrued vacation (unused) is recorded in the proprietary fund level statements and in the government-wide statements as compensated absences.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

**Sick Leave**

Employees are entitled to paid sick leave at various rates for each month of full-time service. Sick pay is recorded as an expenditure when payment is made. Full-time employees of the City may accumulate one eight-hour day of sick leave for each month of service, not to exceed 30 days. The City compensates eligible employees who retire from active service or are terminated in good standing after 20 years of employment with the City for unused sick leave, not to exceed 30 days, upon separation.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issue is reported as another financing source. Bond premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures, in the year they are incurred.

**Fund Balance**

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

- **Nonspendable.** Portion of fund balances related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.
- **Restricted.** Funds are constrained from outside parties (statute, grantors, bond agreements, etc.).
- **Committed.** Funds are established and modified by a resolution approved by the City Council.
- **Assigned.** Consists of internally imposed constraints approved by the City Finance Director.
- **Unassigned.** Is the residual classification for the general fund and also reflects the negative residual amounts in other funds.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The City formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 55% of the fund's annual operating expenditures and transfers out. Unassigned fund balance in excess of the desired level will be transferred and committed to the General Capital Improvement Fund pursuant to Council approval.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

All Interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statement of net position and statement of activities.

**Allowance for Uncollectible Accounts**

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

**Deferred Inflows and Outflows of Resources**

The City's governmental fund financial statements report a separate section for deferred inflows of resources. The separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources related to leases receivable.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows of Resources (Continued)**

Deferred inflows and outflows of resources reported in governmental activities, represents items we relate to the City's net pension accounting, deferred gains/losses on debt refunding, and leases and are to be recognized in future periods.

Deferred inflows and outflows of resources reported in the proprietary funds, represent items which are related to the City's net pension accounting and are to be recognized in future periods.

Deferred inflows of resources reported in the discretely presented component unit represent regulatory collections for amounts which are permit payments that have been collected from developers and new property owners for future capital expenditures related to the acquisition of a service territory from another utility as well as state conservation programs. In addition, deferred inflows and outflows of resources are also reported to represent items which are related to the Commission's net pension accounting and are to be recognized in future periods.

**Leases**

The City determines if an arrangement is a lease at inception. Lessee leases are included in right-to-use lease assets (lease assets) and lease liabilities in the statement of net position. Lessor leases are included in lease receivables and deferred inflow of resources in the statement of net position and fund financial statements.

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

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

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

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

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

The lease term may include options to extend or terminate the lease when it is reasonably certain that the City will exercise that option. The City recognizes payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

**Land Held for Resale**

Assets held for resale represents land purchased with the intent of selling the property for future development. This is recorded at the lower of cost or estimated market value.

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Deposits**

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2023, based on market prices. Investment earnings on cash and pooled investments are credited to the General fund. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

In accordance with applicable Minnesota Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

Authorized collateral includes U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**Custodial Credit Risk – Deposits**

In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota state statutes.

As of December 31, 2023, the City's deposits were 100% insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

**Investments**

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories.
- Obligations by 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.
- Repurchase or reverse purchase agreements and security 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.

As of December 31, 2023, the City had the following investments in its pool:

Investment	Credit Rating	Fair Value	Maturity		
			Less than 1 Year	1 to 5 Years	More than 5 Years
Money Market Accounts	NR	\$ 222,135	\$ 222,135	\$ -	\$ -
Certificates of Deposit	NR	2,907,300	-	2,907,300	-
Mutual Funds	NR	195,474	195,474	-	-
<b>Total</b>		<b>\$ 3,324,909</b>	<b>\$ 417,609</b>	<b>\$ 2,907,300</b>	<b>\$ -</b>

*NR - Not Rated*

*NA - Not Applicable*

**Interest Rate Risk**

This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal policy for managing interest rate risk.

**Credit Risk**

Minnesota Statutes restrict the types of investments that the City may invest in. The City does not have a formal policy for managing credit risk. The City's external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

**Concentration of Credit Risk**

This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in the securities of a single issue, excluding U.S. Guaranteed investments (such as Treasuries), investment pools, and mutual funds. For the year ended December 31, 2023, the City had no investments that qualified as a concentration of credit risk.

The deposits and investments are presented in the financial statements as follows:

Primary Government:

Cash	\$ 13,494,297
Petty Cash	2,350
Investments	3,324,909
Total Cash and Investments	<u><u>\$ 16,821,556</u></u>

Discretely Presented Component Unit:

Cash and Cash Equivalents	<u><u>\$ 2,936,602</u></u>
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Custodial Fund:

Cash and Cash Equivalents	<u><u>\$ 167,173</u></u>
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**Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

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

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

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

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

Fair value measurements are as follows at December 31, 2023:

Investment	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 2,907,300	\$ -	\$ 2,907,300
Mutual Funds	-	195,474	-	195,474
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,102,774</b>	<b>\$ -</b>	<b>\$ 3,102,774</b>
Investments Measured at Amortized Cost				222,135
<b>Total</b>				<b>\$ 3,324,909</b>

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for governmental activities during the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,899,887	\$ 215,991	\$ -	\$ 6,115,878
Construction in Progress	4,732,474	12,565,306	12,063,368	5,234,412
Total Capital Assets, Not Being Depreciated	10,632,361	12,781,297	12,063,368	11,350,290
Capital Assets, Being Depreciated:				
Land Improvements	4,662,800	-	-	4,662,800
Buildings and Building Improvements	8,951,095	4,369,771	-	13,320,866
Infrastructure and Infrastructure Improvements	33,889,049	4,992,678	-	38,881,727
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,242,215	189,038	153,728	6,277,525
Total Capital Assets, Being Depreciated	53,745,159	9,551,487	153,728	63,142,918
Accumulated Depreciation for:				
Land Improvements	2,462,671	184,409	-	2,647,080
Buildings and Building Improvements	3,412,534	258,056	-	3,670,590
Infrastructure and Infrastructure Improvements	7,015,005	874,708	-	7,889,713
Furniture, Fixtures, Vehicles, Equipment, and Machinery	3,029,234	416,919	153,728	3,292,425
Total Accumulated Depreciation	15,919,444	1,734,092	153,728	17,499,808
Total Capital Assets, Being Depreciated, Net	37,825,715	7,817,395	-	45,643,110
Governmental Activities Capital Assets, Net	\$ 48,458,076	\$ 20,598,692	\$ 12,063,368	\$ 56,993,400

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for business-type activities during the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 131,434	\$ -	\$ -	\$ 131,434
Construction in Progress	2,032,531	509,378	2,392,095	149,814
Total Capital Assets, Not Being Depreciated	2,163,965	509,378	2,392,095	281,248
Capital Assets, Being Depreciated:				
Land Improvements	72,500	-	-	72,500
Buildings and Building Improvements	11,625,159	4,200,086	-	15,825,245
Infrastructure and Infrastructure Improvements	18,644,325	29,507	-	18,673,832
Furniture, Fixtures, Vehicles, Equipment, and Machinery	801,748	8,113	119,210	690,651
Leasehold Improvements	190,550	-	-	190,550
Right-to-Use Assets, Being Amortized:				
Buildings	309,693	-	-	309,693
Total Capital Assets, Being Depreciated	31,643,975	4,237,706	119,210	35,762,471
Accumulated Depreciation for:				
Land Improvements	56,510	2,340	-	58,850
Buildings and Building Improvements	5,325,125	231,138	-	5,556,263
Infrastructure and Infrastructure Improvements	5,855,145	379,084	-	6,234,229
Furniture, Fixtures, Vehicles, Equipment, and Machinery	501,490	59,991	119,210	442,271
Leasehold Improvements	98,475	17,942	-	116,417
Accumulated Amortization:				
Buildings	95,290	95,290	-	190,580
Total Accumulated Depreciation and Amortization	11,836,745	785,785	119,210	12,598,610
Total Capital Assets, Being Depreciated and Amortized, Net	19,807,230	3,451,921	-	23,163,861
Business-Type Activities				
Capital Assets, Net	<u>\$ 21,971,195</u>	<u>\$ 3,961,299</u>	<u>\$ 2,392,095</u>	<u>\$ 23,445,109</u>

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the component unit during the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Discrete Component Unit:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 3,207,662	\$ 1,066,829	\$ 664,201	\$ 3,610,290
Intangible Asset (Service Territory)	1,071,422	10,647	-	1,082,069
Land	8,602	-	-	8,602
Total Capital Assets, Not Being Depreciated	4,287,686	1,077,476	664,201	4,700,961
Capital Assets, Being Depreciated:				
Utility Plant:				
Electric	24,318,318	3,613,034	296,444	27,634,908
Water	22,526,203	869,701	17,737	23,378,167
Right-to-Use Assets, Being Amortized:				
Electric	1,703,887	-	16,221	1,687,666
Total Utility Plant	48,548,408	4,482,735	330,402	52,700,741
Accumulated Depreciation and Amortization	22,317,899	1,568,898	255,038	23,631,759
Total Capital Assets, Being Depreciated and Amortized, Net	26,230,509	2,913,837	75,364	29,068,982
Discrete Component Unit Capital Assets, Net	<u>\$ 30,518,195</u>	<u>\$ 3,991,313</u>	<u>\$ 739,565</u>	<u>\$ 33,769,943</u>

Depreciation and amortization expense was charged to functions as follows:

Governmental Activities:			
General Government		\$ 103,381	
Public Safety		354,045	
Highways and Streets		838,387	
Economic Development		8,745	
Community Services		<u>429,534</u>	
Total Depreciation Expense, Governmental Activities		<u>\$ 1,734,092</u>	
Business-Type Activities:			
Municipal Liquor	\$ 119,277		
Sewer	<u>666,508</u>		
Total Depreciation and Amortization Expense, Business-Type Activities	<u>\$ 785,785</u>		
Discrete Component Unit:			
Total Depreciation and Amortization Expense	<u>\$ 1,568,898</u>		

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CITY INDEBTEDNESS**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2023:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
G.O. Bonds	\$ 8,515,000	\$ 7,205,689	\$ 625,000	\$ 15,095,689	\$ 480,000
G.O. Tax Increment Bonds	2,790,000	4,210,000	2,565,000	4,435,000	30,000
G.O. Special Assessment Bonds	9,665,000	-	530,000	9,135,000	560,000
G.O. Revenue Bonds	1,117,160	2,206,168	115,680	3,207,648	116,800
G.O. Bonds - Commission ++	1,889,944	3,675,000	94,862	5,470,082	96,995
G.O. Tax Abatements	1,670,000	-	80,000	1,590,000	120,000
Premium on Bonds	1,186,273	1,153,846	155,119	2,185,000	-
Compensated Absences	229,846	189,106	172,722	246,230	114,562
<b>Total Governmental Activities</b>	<b>27,063,223</b>	<b>18,639,809</b>	<b>4,338,383</b>	<b>41,364,649</b>	<b>1,518,357</b>
<b>Business-Type Activities:</b>					
G.O. Revenue	3,997,896	3,618,143	359,458	7,256,581	381,205
Discount on Bonds	(342)	-	(342)	-	-
Premium on Bonds	214,111	297,196	18,699	492,608	-
Compensated Absences	68,520	50,410	48,970	69,960	31,995
Leases Payable	217,549	-	94,909	122,640	97,747
<b>Total Business-Type Activities</b>	<b>4,497,734</b>	<b>3,965,749</b>	<b>521,694</b>	<b>7,941,789</b>	<b>510,947</b>
<b>Total Debt - Primary Government</b>	<b>\$ 31,560,957</b>	<b>\$ 22,605,558</b>	<b>\$ 4,860,077</b>	<b>\$ 49,306,438</b>	<b>\$ 2,029,304</b>
<b>Discrete Component Unit:</b>					
Loan Payable	\$ 1,889,944	\$ 3,675,000	\$ 94,862	\$ 5,470,082	\$ 96,995
Notes from Direct Borrowings	1,695,000	-	535,000	1,160,000	565,000
Lease Liability	1,538,426	-	166,152	1,372,274	170,262
Service Territory Acquisition	160,971	10,647	60,971	110,647	60,647
Compensated Absences	74,069	8,302	-	82,371	20,593
<b>Total</b>	<b>\$ 5,358,410</b>	<b>\$ 3,693,949</b>	<b>\$ 856,985</b>	<b>\$ 8,195,374</b>	<b>\$ 913,497</b>

++ These amounts consist of portions of the City's Series 2016A, 2018A, 2020A and 2023A G.O. Bonds and G.O. Revenue Bonds that were loaned to the Commission for infrastructure improvements. The Commission is repaying the loan to the City in accordance with the original terms of the bonds issued by the City.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

The compensated absences balances are liquidated by the General Fund and enterprise funds.

City indebtedness at December 31, 2023, is composed of the following:

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
<b>Governmental Activities:</b>				
G.O. Bonds:				
2009 Street Reconstruction Bonds	\$ 410,000	2/1/2025	2.00 - 4.00%	\$ 130,000
2013 Street Reconstruction Bonds	4,405,000	2/1/2034	2.00 - 3.75%	3,995,000
2014 Improvement Bonds	905,000	8/1/2035	2.10 - 3.50%	685,000
2016 Street Reconstruction Refunding Bonds	1,165,000	2/1/2028	2.00 - 3.00%	625,000
2020 Street Reconstruction Bonds	965,000	2/1/2041	2.00 - 5.00%	895,000
2021 Street Reconstruction Bonds	820,000	2/1/2042	2.00 - 5.00%	820,000
2021 Improvement Bonds	740,000	2/1/2042	2.00 - 5.00%	740,000
2023 Street Reconstruction Bonds	7,205,689	2/1/2044	4.00 - 5.00%	7,205,689
G.O. Tax Increment Bonds:				
2016 Tax Increment Refunding Bonds	355,000	2/1/2030	2.25 - 3.00%	225,000
2023 Tax Increment Refunding Bonds	4,210,000	2/1/2049	4.00 - 5.00%	4,210,000
G.O. Special Assessment Bonds:				
2016 Improvement Bonds	4,450,000	2/1/2036	2.75 - 3.00%	3,410,000
2018 Improvement Bonds	2,625,000	2/1/2039	3.00 - 3.50%	2,220,000
2020 Improvement Bonds	275,000	2/1/2041	2.00 - 5.00%	235,000
2021 Improvement Bonds	3,455,000	2/1/2042	2.00 - 5.00%	3,270,000
G.O. Revenue Bonds:				
2016 Storm Water Bonds	175,000	2/1/2036	2.75 - 3.00%	130,000
2016 Storm Water Refunding Bonds	890,000	2/1/2028	2.00 - 3.00%	475,000
2020 Storm Water Bonds	426,720	2/1/1941	2.00 - 5.00%	396,480
2023 Storm Water Bonds	850,735	2/1/2044	4.00 - 5.00%	850,735
Utility G.O. Bonds 2023A	1,355,433	2/1/2044	4.00 - 5.00%	1,355,433
G.O. Abatement Bonds:				
2015 Abatement Bonds	895,000	2/1/2029	1.20 - 2.50%	510,000
2021 Abatement Bonds	1,080,000	2/1/2042	2.00 - 5.00%	1,080,000
G.O. Bonds - Commission ++	Various	2041	2.00 - 5.00%	5,470,082
Premium on Bonds				2,185,000
Compensated Absences				246,230
<b>Total Governmental Activities</b>				<b>\$ 41,364,649</b>
<b>Business-Type Activities:</b>				
G.O. Revenue Bonds:				
2005 Sewer G.O. Loan	\$ 1,630,000	12/1/2025	4.14%	\$ 525,000
2016 Sanitary Sewer G.O. Bonds	495,000	2/1/2036	2.75 - 3.00%	380,000
2020 Sanitary Sewer Bonds	665,607	2/1/2041	2.00 - 5.00%	618,438
2021 Sanitary Sewer Bonds	2,180,000	2/1/2042	2.00 - 5.00%	2,115,000
2023 Sanitary Sewer Bonds	3,618,143	2/1/2049	4.00 - 5.00%	3,618,143
Premium on Bonds				492,608
Lease Liability				122,640
Compensated Absences				69,960
<b>Total Business-Type Activities</b>				<b>\$ 7,941,789</b>
<b>Discrete Component Unit:</b>				
Notes from Direct Borrowings:				
2005 Water G.O. Loan	\$ 7,160,000	12/1/2025	4.14%	\$ 1,055,000
Electric Revenue Loan	700,000	12/1/2025	4.14%	105,000
Loan Payable:				
Water G.O. Revenue Bonds	900,000		2.75 - 3.00%	660,000
Utility G.O. Bonds 2018A	450,000	2/1/2039	3.00 - 3.50%	380,000
Utility G.O. Bonds 2020A	812,673	2/1/2041	2.00 - 5.00%	755,082
Utility G.O. Bonds 2023A	3,675,000	2/1/2044	4.00 - 5.00%	3,675,000
Other Long-Term Liabilities:				
Service Territory Acquisition				110,647
Lease Liability				1,372,274
Compensated Absences				82,371
<b>Total Discrete Component Unit</b>				<b>\$ 8,195,374</b>

++ These amounts consist of portions of the City's Series 2016A, 2018A, 2020A and 2023A G.O. Bonds that were passed through to the Commission for infrastructure improvements.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Years	Governmental Activities					Total	
	Bonded Debt *		G.O. Bonds Commission **				
	Principal	Interest	Principal	Interest			
2024	\$ 1,306,800	\$ 1,183,511	\$ 96,995	\$ 233,357	\$ 2,820,663		
2025	1,723,587	1,158,334	209,495	211,783	3,303,199		
2026	1,808,850	1,092,901	216,628	202,826	3,321,205		
2027	1,869,096	1,027,462	223,761	193,919	3,314,238		
2028	1,967,648	959,048	236,261	184,605	3,347,562		
2029 - 2033	10,006,507	3,692,770	1,329,768	770,707	15,799,752		
2034 - 2038	7,438,420	2,048,809	1,492,864	483,401	11,463,494		
2039 - 2043	5,178,925	939,893	1,391,810	185,910	7,696,538		
2044 - 2048	1,633,504	195,661	272,500	5,450	2,107,115		
Thereafter	530,000	24,075	-	-	554,075		
Totals	<u>\$ 33,463,337</u>	<u>\$ 12,322,464</u>	<u>\$ 5,470,082</u>	<u>\$ 2,471,958</u>	<u>\$ 53,727,841</u>		

\* These amounts are to be repaid with the City resources

\*\* These amounts are to be repaid with the receivable from the Commission

Years	Business-Type Activities					Totals	
	Bonded Debt		Leases				
	Principal	Interest	Principal	Interest			
2024	\$ 381,205	\$ 295,360	\$ 97,747	\$ 61	\$ 774,373		
2025	511,917	259,301	24,894	-	796,112		
2026	254,522	235,875	-	-	490,397		
2027	267,143	223,871	-	-	491,014		
2028	281,091	211,288	-	-	(229)		
2029 - 2033	1,598,722	855,468	-	-	2,454,190		
2034 - 2038	1,843,713	536,153	-	-	2,379,866		
2039 - 2043	1,849,267	203,333	-	-	2,052,600		
Thereafter	269,001	5,380	-	-	274,381		
Totals	<u>\$ 7,256,581</u>	<u>\$ 2,826,029</u>	<u>\$ 122,641</u>	<u>\$ 61</u>	<u>\$ 9,712,704</u>		

Years	Discrete Component Unit					Totals	
	Direct Borrowings		Loan Payable				
	Principal	Interest	Principal	Interest			
2024	\$ 565,000	\$ 51,157	\$ 96,995	\$ 233,357	\$ 946,509		
2025	595,000	25,704	209,495	211,783	1,041,982		
2026	-	-	216,628	202,826	419,454		
2027	-	-	223,761	193,919	417,680		
2028	-	-	236,261	184,605	420,866		
2029 - 2033	-	-	1,329,768	770,707	2,100,475		
2034 - 2038	-	-	1,492,864	483,401	1,976,265		
2039 - 2043	-	-	1,391,810	185,910	1,577,720		
Thereafter	-	-	272,500	5,450	277,950		
Totals	<u>\$ 1,160,000</u>	<u>\$ 76,861</u>	<u>\$ 5,470,082</u>	<u>\$ 2,471,958</u>	<u>\$ 9,178,901</u>		

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CITY INDEBTEDNESS (CONTINUED)**

Years	Discrete Component Unit Leases		Discrete Component Unit Service Territory Acquisition		Totals
	Principal	Interest	Principal	Interest	
2024	\$ 170,262	\$ 63,738	\$ 60,647	\$ -	\$ 234,000
2025	178,973	55,027	50,000	-	234,000
2026	188,129	45,871	-	-	234,000
2027	197,754	36,246	-	-	234,000
2028	207,872	26,128	-	-	234,000
2029 - 2033	429,284	19,889	-	-	449,173
Totals	<u>\$ 1,372,274</u>	<u>\$ 246,899</u>	<u>\$ 110,647</u>	<u>\$ -</u>	<u>\$ 1,619,173</u>

The annual requirements to amortize bonded debt outstanding as of December 31, 2023, including interest of \$6,093,283 are as follows:

Primary Government		Discrete Component Unit +	
Years	Amount	Years	Amount
2024	\$ 3,497,228	2024	\$ 946,509
2025	4,074,417	2025	1,041,982
2026	3,811,602	2026	419,454
2027	3,805,252	2027	417,680
2028	3,839,941	2028	420,866
2029 - 2033	18,253,942	2029 - 2033	2,100,475
2034 - 2038	13,843,360	2034 - 2038	1,976,265
2039 - 2043	9,749,138	2039 - 2043	1,577,720
2044 - 2048	2,381,496	2044 - 2048	277,950
Thereafter	554,075	Thereafter	-
Total	<u>\$ 63,810,451</u>	Total	<u>\$ 9,178,901</u>

+ This includes the principal and interest related to the due to primary government for the Commission's portion of the City's Series 2016A, 2018A, 2020A and 2023A bonds.

**Leases**

The City leases building space under long-term, a non-cancelable lease agreement. The building lease expires during fiscal year 2025, with an interest rate of 3.0%. Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

	Business-Type Activities
Building	\$ 309,693
Less: Accumulated Amortization	(190,580)
Total	<u>\$ 119,113</u>

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 LEASE RECEIVABLES**

The City, acting as lessor, leases certain building space under long-term, a noncancelable lease agreement. This lease expires in fiscal year 2025. During the year ended December 31, 2023, the City recognized \$4,293 and \$507 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as a lessor, leases certain real property under long-term, a noncancelable lease agreement. This lease expires in fiscal year 2024. During the year ended December 31, 2023, the City recognized \$11,708 and \$292 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

<u>Year Ending December 31,</u>	<u>Lease Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,507	\$ 293
2025	3,928	72
<b>Total</b>	<b>\$ 8,435</b>	<b>\$ 365</b>

**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**Plan Description**

The City participates in the following cost-sharing, multiemployer 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.

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

**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.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

**Benefits Provided (Continued)**

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**Contributions**

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$166,406. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

**Pension Costs**

At December 31, 2023, the City reported a liability of \$1,560,137 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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$43,054. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was .0279% at the end of the measurement period and .0266% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 1,560,137
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the City	43,054
<b>Total</b>	<b>\$ 1,603,191</b>

For the year ended December 31, 2023, the City recognized pension expense of \$334,669 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$169 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, 2023, the City reported its proportionate share of the General Employee 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	\$ 51,235	\$ 10,748
Changes in Actuarial Assumptions	252,564	427,620
Net Difference Between Projected and Actual Earnings		
Pension Plan Investments	-	58,344
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	144,436	-
City Contributions Subsequent to the Measurement Date	87,974	-
<b>Total</b>	<b>\$ 536,209</b>	<b>\$ 496,712</b>

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

**Pension Costs (Continued)**

The \$87,974 is 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 ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses
	Amount
2023	\$ 121,262
2024	(191,952)
2025	56,058
2026	(33,845)
<b>Total</b>	<b>\$ (48,477)</b>

**Long-Term Expected Return on Investments**

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

<u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90

**Actuarial Assumptions**

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

**Actuarial Assumptions (Continued)**

Inflation is assumed to be 2.25 percent for the General Employees Plan, Police and Fire Plan, and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan, 1% for the Police and Fire Plan, and 2 percent for the Correctional Plan.

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0 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, Police and Fire and Correctional Plans were 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.

**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:

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
City's Proportionate Share of the GERF Net Pension Liability	\$ 2,760,007	\$ 1,560,137	\$ 573,198

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT**

**Plan Description**

The Commission 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.

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

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**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT  
(CONTINUED)**

**Benefits Provided**

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**Contributions**

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2023 were \$85,779. The Commission's contributions were equal to the required contributions as set by state statute.

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**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)**

**Pension Costs**

At December 31, 2023, the Commission reported a liability of \$743,721 for its proportionate share of the General Employees Fund's net pension liability. The Commission'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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$20,552. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was .0133% at the end of the measurement period and .0127% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability	\$ 743,721
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the Commission	20,552
<b>Total</b>	<b><u>\$ 764,273</u></b>

For the year ended December 31, 2023, the Commission recognized pension expense of \$135,922 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2023, the Commission reported its proportionate share of the General Employees Plans' 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	\$ 24,424	\$ 5,124
Changes in Actuarial Assumptions	120,398	203,848
Net Difference Between Projected and Actual Earnings Pension Plan Investments	-	27,813
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	40,869	41,702
Commission Contributions Subsequent to the Measurement Date	42,332	-
<b>Total</b>	<b><u>\$ 228,023</u></b>	<b><u>\$ 278,487</u></b>

**CITY OF DELANO, MINNESOTA**  
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**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)**

**Pension Costs (Continued)**

The \$42,332 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses Amount
2024	\$ 20,168
2025	(123,255)
2026	26,425
2027	(16,134)
<b>Total</b>	<b><u>\$ (92,796)</u></b>

**Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Cash	-	-

**Actuarial Assumptions**

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

**CITY OF DELANO, MINNESOTA**  
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**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)**

**Actuarial Assumptions (Continued)**

Inflation is assumed to be 2.25 percent for the General Employees Plan and benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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.

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**NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)**

**Pension Liability Sensitivity**

The following presents the Commission'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 Commission'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:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Discrete Component Unit's Proportionate Share of the GERF			
Net Pension Liability	\$ 1,315,702	\$ 743,721	\$ 273,245

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Delano are members of the Delano Fire Department Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered by the Delano Fire Department Relief Association pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2022, membership includes 24 active participants and five terminated members entitled to benefits but not yet receiving them. The plan issues a stand-alone financial statement. Financial statements can be obtained by contacting the City finance department.

**Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served 10 years but less than 20 years of active service with such department before retirement shall be entitled to a lump-sum service pension in the amount of \$3,600 for each year of active times the vesting percentage. The vesting percentage is 60% for active duty of 10 years or more but less than 11 years. For active duty of more than 10 years, but less than 20 years, the vesting percentage increased by 4% for each additional year of service between 11 and 20.

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

**Benefits Provided (Continued)**

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$3,375 for each year the member was an active member of the Delano Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump-sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump-sum distributions and will no longer be available if state tax law is modified to exclude lump-sum distributions from state income tax. The Association qualifies for these benefits.

**Contributions**

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). The minimum contribution from the City of Delano and state aid is determined as follows:

	Normal Cost
+	Amortization Payment of Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributable to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	Total Contribution Required

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$70,484 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2022, was \$-0-.

**Pension Costs**

At December 31, 2023, the City reported an asset of \$332,494 for the Association's net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized pension expense of (\$71,905) for the year ended December 31, 2023. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

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

**Pension Costs (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 77,852
Changes in Actuarial Assumptions	1,865	15,781
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	154,218	-
Change in Total Pension Liability Due to Change in		
Census Data	-	8,407
City Contributions Subsequent to the Measurement Date	80,712	-
<b>Total</b>	<b><u>\$ 236,795</u></b>	<b><u>\$ 102,040</u></b>

The City contributions to the Association subsequent to the measurement date, \$80,712 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses Amount
2024	\$ (23,366)
2025	17,537
2026	36,048
2027	48,330
2028	(9,630)
Thereafter	(14,876)
<b>Total</b>	<b><u>\$ 54,043</u></b>

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	N/A
Inflation Rate	2.5%
Age of Service Requirement	50

**CITY OF DELANO, MINNESOTA**  
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**NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	15.00%	2.25%
Equities	34.00%	7.30
Fixed Income	50.00%	3.40
Other	1.00%	6.00

**Discount Rates**

The discount rate used to measure the total pension asset was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Pension Sensitivity**

The following presents the City of Delano's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.00%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

Description	1% Decrease in Discount Rate (5.00%)	Current Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net Pension Liability (Asset)	\$ (314,713)	\$ (332,494)	\$ (349,486)

**CITY OF DELANO, MINNESOTA**  
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**NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Information about the plan's net position is as follows:

	<u>2022</u>
Assets:	
Cash and Investments	\$ 1,486,548
Accounts Receivable	2,000
Total Assets	<u>1,488,548</u>
Net Position:	
Restricted for Pension Benefits	<u>\$ 1,488,548</u>

Information about changes in the plan's net pension liability (asset) is as follows:

	<u>2022</u>
<b>Total Pension Liability:</b>	
Service Cost	\$ 31,628
Interest	61,542
Differences Between Expected and Actual Experience	-
Plan Changes	10,354
Changes of Assumptions	(12,927)
Gain or Loss	(46,647)
Benefit Payments, Including Member Contribution	
Refunds	(57,002)
Other Changes	-
Net Change in Total Pension Liability	<u>(13,052)</u>
Total Pension Liability - Beginning	<u>1,169,109</u>
Total Pension Liability - Ending (a)	1,156,057
<b>Plan Fiduciary Net Position:</b>	
Municipal Contributions	-
State Contributions	70,484
Net Investment Income	88,554
Benefit Payments	(57,002)
Administrative Expenses	(7,394)
Other Changes	(289,799)
Net Change in Fiduciary Net Position	<u>(195,157)</u>
Fiduciary Net Position - Beginning	<u>1,683,708</u>
Fiduciary Net Position - Ending (b)	<u>1,488,551</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (332,494)</u>

**CITY OF DELANO, MINNESOTA**  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As the City has fewer than 100 plan members, it has elected to calculate its total OPEB liability and related information using the alternative measurement permitted by GASB Statement No. 75.

The City provides health insurance benefits for certain retired employees under a single-employer defined benefit health care plan. The plan provides health care insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost.

**Postemployment Insurance Benefits**

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Employees covered by benefit terms. At December 31, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	-
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-
Active Plan Members	<u>22</u>
Total	<u><u>22</u></u>

**Contributions and Funding Policy**

The City funds its OPEB obligation on a pay as you go basis. The City contributes none of the cost of current year premiums for eligible retired plan members and their spouses except for the implicit rate subsidy described above. For fiscal year 2023, the City contributed \$-0- to the plan. Plan members receiving benefits contribute 100% of their premium costs. As of December 31, 2023, there were no retirees receiving health benefits from the City's health plans.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Total OPEB Liability**

The City's Total OPEB liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Methods and Assumptions Used to Determine the Contribution Rates:	
Actuarial Cost Method	
Amortization Method	Entry Age
Amortization Period	Level percentage of payroll, closed Investment Gains/Losses are Amortized Over 5 Years and Liability Gains/Losses are Amortized Over Average Working Lifetime
Inflation	2.60%
Healthcare Cost Trend Rate	8.00% for 2023, decreasing .60% per year to an ultimate rate of 4.04%
Salary Increases	3.25%
Discount Rate	3.77% (Fidelity Municipal GO AA index as of December 31, 2023)
Retirement Age	Age 64
Mortality	Rates from the most recent July 1, 2014 through June 30, 2018 PERA and TRA Experience Studies

**Discount Rate**

The City's OPEB plan is not funded by a trust and, therefore, the City uses the Fidelity Municipal GO AA index rate to develop its long-term rate of return and discount rate. This rate was 3.77% in the current actuarial valuation, which was updated from the 4.05% used in the prior actuarial valuation.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Total OPEB Liability**

The details of the changes in the City's total OPEB liability were as follows for 2023:

	Total OPEB Liability
Balance - December 31, 2022	\$ 38,847
Increase (Decrease) for the Year:	
Service Cost	2,123
Interest	1,659
Differences Between Expected and Actual Experience	(16,528)
Changes in Assumptions	(445)
Net Changes	<u>(13,191)</u>
Balance - December 31, 2023	<u>\$ 25,656</u>

The following changes in assumptions occurred between the current and prior actuarial valuations.

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 4.05% to 3.77% based on recent muni bond index rates.
- Membership participation was updated from 55% to 50% based on experience and demographics.

**Sensitivity of Total OPEB Liability**

Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease (2.77)%	Discount Rate (3.77)%	1% Increase (4.77)%
Net OPEB Liability (Asset)	\$ 27,161	\$ 25,656	\$ 24,208

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (7.0% decreasing to 3.4%) or 1-percentage-point higher (9.0% decreasing to 5.04%) than the current health care cost trend rates:

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of Total OPEB Liability (Continued)**

	Health Care Cost Trend	1% Increase
	Rates (8.0%)	(9.0%)
	Decreasing to 4.04%)	Decreasing to 5.04%)
Net OPEB Liability (Asset)	\$ 23,409	\$ 25,656
		<hr/>
		\$ 28,208

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023 the City recognized OPEB expense of (\$13,191). At December 31, 2023, the City did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

**NOTE 10 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Balances/Net Position**

The City has deficit fund balances at December 31, 2023, as follows:

	Fund	Deficit
Nonmajor Funds:		
Special Revenue Funds:		
TIF #7 Delano Commons Project	\$ (8,014)	
TIF #8 Downtown Redevelopment	(260,312)	
TIF#9 Delano Legacy	(802,114)	
TIF #12 Metro Business Park	(72,420)	
TIF #14 Highway 12 / Tiger Drive	(196,094)	
TIF#15 125 Woodland Rd	(1,318)	
Riverside Commons	(45,146)	
Economic Development	(431,725)	
Total Nonmajor Funds	<hr/> \$ (1,817,143)	

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Individual fund receivable and payable balances at December 31, 2023, are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds
<b>Major Governmental Funds:</b>		
Capital Project Fund	\$ 911,722	\$ 1,775,073
<b>Nonmajor Governmental Funds:</b>		
<b>Special Revenue Fund:</b>		
Economic Development	-	911,722
Fund 314	-	108,002
Fund 315	-	1,025
TIF #11 Industrial Louvers	73,445	-
TIF #12 West Metro Business Park	-	72,420
Riverside Commons	-	59,307
<b>Enterprise Funds:</b>		
Sewer	1,942,382	-
Due from Component Unit (to General Fund)	17,016	-
Due from Component Unit (to Storm Drainage Fund)	20,132	-
Due from Component Unit (to Sewer Fund)	188,921	-
Due to Primary Government from Component Unit	-	226,069
<b>Total Due From/To</b>	<b><u>\$ 3,153,618</u></b>	<b><u>\$ 3,153,618</u></b>

These interfund balances are for the reimbursement of services or utilities provided or temporary cash borrowings and are expected to be repaid in the following year.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Individual fund advances balances at December 31, 2023, are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
Nonmajor Governmental Funds:		
Special Revenue Funds:		
TIF #7 Delano Commons Project	\$ -	\$ 8,014
TIF #8 Downtown Redevelopment	-	260,312
TIF #9 Delano Legacy	-	802,114
Enterprise Funds:		
Sewer	<u>1,070,440</u>	-
<b>Total Advances</b>	<b><u>\$ 1,070,440</u></b>	<b><u>\$ 1,070,440</u></b>

The advances from the Sewer Fund are for construction of infrastructure for various projects within the City. The advances from the Sewer Fund to TIF funds for infrastructure improvements are expected to be repaid with tax increments collected over the lives of the applicable districts. None of these advances are expected to be repaid within one year.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Transfers between funds during 2023 are as follows:

	Amount	Description
<b>Major Funds:</b>		
Transfers to General Fund from:		
Municipal Liquor Fund	\$ 125,000	Annual Contribution
Sanitary Sewer Fund	350,000	Annual Contribution
Total Transfers to General Fund	475,000	
Transfer to Capital Projects Fund from:		
General Fund	354,000	Annual Contribution
General Fund	309,609	Fund Balance Policy
Granite Works Project Fund	514,459	Transfer Project
TIF #12 - West Metro Business Park Fund	57,600	Debt Service
Sanitary Sewer Fund	1,681,184	Bond Proceeds
Sanitary Sewer Fund	2,134,000	Transfer Project
General Fund	344,348	ARPA Funding
Total Transfers to Capital Projects Fund	5,395,200	
Transfer to Debt Service Fund from:		
Storm Water Fund	150,375	Debt Service
Sanitary Sewer Fund	50,889	Debt Service
TIF #8 - Downtown Redevelopment	34,725	Debt Service
Abatement Fund	93,000	Debt Service
TIF #12 - West Metro Business Park Fund	400,706	Debt Service
2011A Refunding Bonds Fund	71,581	Close Out Fund
	<u>801,276</u>	
Total Transfer to Major Funds	6,671,476	
<b>Nonmajor Funds:</b>		
Transfer to Fire Department Special Revenue Fund from:		
General Fund	220,000	Annual Contribution
General Fund	264,055	Operating Costs
Total Transfers to Fire Department Special Revenue Fund	<u>484,055</u>	
Transfer to Senior Center Special Revenue Fund from:		
General Fund	13,000	Annual Contributions
General Fund	239,400	Sr. Center Operations Fund Funding
General Fund	14,100	Sr. Transportation Fund Funding
General Fund	20,400	Sr. Lunch Program
Total Transfers to Senior Center Special Revenue Fund	<u>286,900</u>	
Transfer to Economic Development Fund from:		
General Fund	21,000	Economic Development Projects
Total Transfer to Economic Development Fund	<u>21,000</u>	
Total Transfers to Nonmajor Governmental Funds	<u>791,955</u>	
Total Interfund Transfers	<u><u>\$ 7,463,431</u></u>	

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 12 RISK MANAGEMENT**

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

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

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**Discretely Presented Component Unit – Electrical Power**

Under authorization of state statutes, the Commission joined Central Minnesota Municipal Power Agency (CMMPA) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. In 2015, CMMPA changed its name to Central Municipal Power Agency/Services (CMPAS). The governing body consists of members from each of the member utilities who are elected by the respective local utility commissions. Complete financial statements may be obtained by contacting CMPAS at 459 South Grove Street, Blue Earth, Minnesota, 56013.

The Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 0.73MW of electrical power from the Wolf Wind project in Rushmore, MN. CMPAS has a 6.25MW subscription that is allocated among its members based on load share ratio. The contractual period for this contract is March 1, 2005 to April 3, 2021.

In September 2003, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase electrical power from a new power plant constructed by the Omaha Public Power District (OPPD) and to provide a share of the construction funding. This new plant was completed and operational in 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 2 megawatts from this 600-megawatt plant. The Commission's share of construction costs approximate \$3,300,000. These construction costs are expected to be paid to CMMPA or OPPD via electricity purchase rates over the life of the 40-year contract.

If other participants in this project were to default, the Commission could be held responsible for up to 160% of its stated commitment.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Discretely Presented Component Unit – Electrical Power (Continued)**

In 2010, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 1.0MW of electrical power from the Iberdrola Wind Project in Rugby, SD. CMMPA has a 13.1MW subscription that is allocated among its members based on agreed upon levels of commitment. The contractual period for this contract is January 1, 2011 to December 31, 2025. In 2011, the Commission signed another agreement with CMPAS to purchase an additional 2.6MW of electrical power from the Iberdrola Wind Project for a total commitment of 3.6MW.

In 2012, the Commission signed an agreement to commit to purchasing power from the WPPI/Point Beach Nuclear Project. This agreement is for 1.20 MW of energy annually and extends through March 8, 2033.

In April 2007, the Commission and other municipal utilities signed an unsecured guaranty of a stand-by letter of credit between Utilities Plus (a component unit of CMMPA) and a bank. The letter of credit is to be used by Utilities Plus for payment of transmission or transmission service obligations to Midwest Independent Transmission System Operator, Inc. (MISO). The Commission's share of the guaranty is not to exceed \$434,734. Additionally, the Commission's guaranty only applies to transactions involving the Commission's purchase of electricity, transmission, and transmission services from Utilities Plus. No changes were made to this agreement during 2023 and there is no outstanding balance on the line of credit.

In December 2020, the Commission signed an agreement to commit to purchasing power from AEP Energy Partners, Inc. agreement runs from January 1, 2021 through May 31, 2030.

**Federal and State Funds**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time. The City administration believes such disallowances, if any, will be immaterial.

**Law Enforcement Protection**

The City contracts with the Wright County Sheriff for law enforcement protection. The current contract covers fiscal year 2024. The total remaining commitment for contracted services is approximately \$810,831 for 2024.

**Wastewater**

The City contracts with Veolia Water North America-Central, LLC for maintenance and operations services for the City's Wastewater Treatment Plant. The current contract extends through 2023.

**CITY OF DELANO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 is not aware of any instances of noncompliance which would have a material effect on the financial statements.

**Construction Commitments**

At December 31, 2023, the City had construction projects in progress. The commitments related to the remaining contract balances are summarized as follows:

Project	Certified Cost	Incurred to Date*	Remaining Committed
Crow River Drive (Fund 314)	\$ 180,853	\$ 168,835	\$ 12,018
2023 Streets (Fund 438)	4,702,407	3,855,908	846,499
Total	<u>\$ 4,883,260</u>	<u>\$ 4,024,743</u>	<u>\$ 858,517</u>

\*Includes Contracts Payable Amount

**NOTE 14 RELATED PARTIES – DISCRETELY PRESENTED COMPONENT UNIT**

An employee of the Commission is also a member of CMPAS Board of Directors.

**NOTE 15 SUBSEQUENT EVENT**

On April 2, 2024, the City approved the issuance of General Obligation Tax Abatement Bonds, Series 2024A in the amount of \$3,675,000. The proceeds from the bond issuance will be used to finance the Spirit Park project.

On June 3, 2024, the City approved the issuance of Electric Revenue Bonds, Series 2024B in the amount of approximately \$9,085,000. The proceeds from the bond issuance will be used to finance the Ice Park project.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

**CITY OF DELANO, MINNESOTA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 2,945,753	\$ 2,945,753	\$ 2,995,144	\$ 49,391
Special Assessments	-	-	1,427	1,427
Licenses and Permits:				
Building Permits	150,000	150,000	589,077	439,077
Other	387,600	387,600	319,274	(68,326)
Total Licenses and Permits	<u>537,600</u>	<u>537,600</u>	<u>908,351</u>	<u>370,751</u>
Intergovernmental:				
Local Government Aid	368,047	368,047	368,605	558
Market Value Credit	500	500	360	(140)
Police State Aid	28,000	28,000	37,171	9,171
County Recycling Aid	12,000	12,000	14,341	2,341
Other Federal, State, and County Aids	86,600	86,600	754,418	667,818
Total Intergovernmental	<u>495,147</u>	<u>495,147</u>	<u>1,174,895</u>	<u>679,748</u>
Charges for Services:				
Administrative TIF Reimbursement	73,300	73,300	20,019	(53,281)
Franchise Fees	460,000	460,000	482,336	22,336
Other	194,600	194,600	127,432	(67,168)
Total Charges for Services	<u>727,900</u>	<u>727,900</u>	<u>629,787</u>	<u>(98,113)</u>
Investment Earnings	5,200	5,200	32,376	27,176
Miscellaneous:				
Lease Principal	-	-	4,294	4,294
Lease Interest	-	-	506	506
Other	150,000	150,000	150,204	204
Total Miscellaneous	<u>150,000</u>	<u>150,000</u>	<u>155,004</u>	<u>5,004</u>
<b>Total Revenues</b>	<b>4,861,600</b>	<b>4,861,600</b>	<b>5,896,984</b>	<b>1,035,384</b>

See accompanying Notes to Required Supplementary Information.

**CITY OF DELANO, MINNESOTA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council	\$ 72,900	\$ 72,900	\$ 70,427	\$ 2,473
Administration	735,700	735,700	589,775	145,925
Financial	323,700	323,700	333,733	(10,033)
Total General Government	<u>1,132,300</u>	<u>1,132,300</u>	<u>993,935</u>	<u>138,365</u>
Public Safety:				
Police Contract	657,000	657,000	655,157	1,843
Flood Control	26,000	26,000	5,050	20,950
Animal Control	5,000	5,000	3,900	1,100
Insurance	2,800	2,800	5,127	(2,327)
Utilities	2,400	2,400	2,008	392
Other Operating Costs and Supplies	37,300	37,300	46,614	(9,314)
Total Public Safety	<u>730,500</u>	<u>730,500</u>	<u>717,856</u>	<u>12,644</u>
Highways and Streets:				
Professional Services	21,000	21,000	27,009	(6,009)
Streets	514,200	514,200	531,932	(17,732)
Ice and Snow Removal	45,000	45,000	64,011	(19,011)
Total Highways and Streets	<u>580,200</u>	<u>580,200</u>	<u>622,952</u>	<u>(42,752)</u>
Community Services:				
Building Official Contract	500	500	-	500
Planning Consultant Fee	58,000	58,000	72,561	(14,561)
Park and Other Community Services	1,303,100	1,303,100	1,396,457	(93,357)
Library	33,100	33,100	32,556	544
Heritage Center	23,800	23,800	19,385	4,415
Motor Vehicle	329,200	329,200	300,066	29,134
Total Community Services	<u>1,747,700</u>	<u>1,747,700</u>	<u>1,821,025</u>	<u>(73,325)</u>
Total Expenditures	<u>4,190,700</u>	<u>4,190,700</u>	<u>4,155,768</u>	<u>34,932</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>670,900</b>	<b>670,900</b>	<b>1,741,216</b>	<b>1,070,316</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	475,000	475,000	475,000	-
Transfers Out	(1,145,900)	(1,145,900)	(1,799,911)	(654,011)
Total Other Financing Sources (Uses)	<u>(670,900)</u>	<u>(670,900)</u>	<u>(1,324,911)</u>	<u>(654,011)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>416,305</b>	<b>\$ 416,305</b>
Fund Balance - Beginning of Year			3,244,739	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 3,661,044</b>	

See accompanying Notes to Required Supplementary Information.

**CITY OF DELANO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**I. BUDGETARY INFORMATION**

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

1. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Council chambers at City Hall to obtain taxpayer comments. The Council then approves the budget for the General Fund and certifies the tax levy.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.
4. The City has a legally adopted budget for the General Fund, and follows budgets that were not formally adopted for certain Special Revenue Funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects or Debt Service funds.
5. The budget for the General Fund is prepared on a basis consistent with accounting principles generally accepted in the United States of America. General Fund budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS**  
**LAST SIX YEARS\***

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability:</b>						
Service Cost	\$ 2,123	\$ 2,666	\$ 1,554	\$ 1,380	\$ 1,130	\$ 1,832
Interest	1,659	925	441	494	921	739
Difference Between Expected and Actual Experience	(16,528)	(2,782)	60,578	-	(8,065)	-
Changes of Assumptions	(445)	(4,207)	(39,583)	741	1,225	(799)
Net Change in Total OPEB Liability	(13,191)	(3,398)	22,990	2,615	(4,789)	1,772
Total OPEB Liability - Beginning	38,847	42,245	19,255	16,640	21,429	19,657
Total OPEB Liability - Ending	\$ 25,656	\$ 38,847	\$ 42,245	\$ 19,255	\$ 16,640	\$ 21,429
Total OPEB Liability	\$ 25,656	\$ 38,847	\$ 42,245	\$ 19,255	\$ 16,640	\$ 21,429
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 1,900,000	\$ 1,600,000	\$ 1,400,000	\$ 1,300,000	\$ 1,300,000	\$ 1,247,431
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	1.35%	2.43%	3.02%	1.48%	1.28%	1.72%

\*Additional data will be presented as it becomes available and eventually 10 years of data will be presented.

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Methods and Assumptions Used to Determine the Contribution Rates:	
Actuarial Cost Method	
Amortization Method	Entry Age
Amortization Period	Level percentage of payroll, closed Investment Gains/Losses are Amortized Over 5 Years and Liability Gains/Losses are Amortized Over Average Working Lifetime
Inflation	2.60%
Healthcare Cost Trend Rate	8.00% for 2023, decreasing .60% per year to an ultimate rate of 4.04%
Salary Increases	3.25%
Discount Rate	3.77% (Fidelity Municipal GO AA index as of December 31, 2023)
Retirement Age	Age 64
Mortality	Rates from the most recent July 1, 2014 through June 30, 2018 PERA and TRA Experience Studies

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**  
**LAST SIX YEARS\***

Changes in Assumptions:

2023

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 4.05% to 3.77% based on recent muni bond index rates.
- Membership participation was updated from 55% to 50% based on experience and demographics.

2022

- The discount rate was updated from 2.06 to 4.05% based on recent muni bond index rates.

2021

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.12% to 2.06% based on recent muni bond index rates.
- Withdrawal, mortality, and salary scale assumptions were updated to those included in the recently published PERA General and Police & Fire actuarial valuations.
- Assumed retirement age was updated from 63 to 64 based on recent experience and updated expectations.

2020

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 2.74% to 2.12%.

2019

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 4.09% to 2.74%.

2018

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 4.00% to 4.09%.
- The actuarial Cost Methods was updated along with the implementation of GASB Statement No. 75 to the Entry Age Normal level percent of pay method, with investment gains/losses being amortized over five years, liability gains/losses are amortized over the assumed average working lifetime, and plan changes are recognized immediately. Previously, under GASB Statement No. 45, the Entry Age Normal actuarial cost method was used, and the unfunded actuarial accrued liability was being amortized as a level percent of payroll over a 30-year period.

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY – GENERAL EMPLOYEES PLAN**  
**LAST TEN YEARS\***

<b>Primary Government</b>	Measurement Date June 30,			
	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.0279%	0.0266%	0.0250%	0.0223%
City's Proportionate Share of the Net Pension Liability	\$ 1,560,137	\$ 2,106,728	\$ 1,067,612	\$ 1,336,987
State's Proportionate Share of the Net Pension Liability	<u>43,054</u>	<u>61,808</u>	<u>32,649</u>	<u>41,250</u>
<b>Total</b>	<b><u>\$ 1,603,191</u></b>	<b><u>\$ 2,168,536</u></b>	<b><u>\$ 1,100,261</u></b>	<b><u>\$ 1,378,237</u></b>
City's Covered Payroll	\$ 2,218,523	\$ 1,994,846	\$ 1,801,236	\$ 1,588,162
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	142.20%	94.69%	168.72%	118.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.67%	87.00%	79.06%

\* The amounts presented for each fiscal year were determined as of 6/30.

<b>Discretely Presented Component Unit</b>	Measurement Date June 30,			
	2023	2022	2021	2020
Commission's Proportion of the Net Pension Liability	0.0133%	0.0127%	0.0142%	0.0133%
Commission's Proportionate Share of the Net Pension Liability	\$ 743,721	\$ 1,005,844	\$ 606,404	\$ 797,396
State's Proportionate Share of the Net Pension Liability	<u>20,552</u>	<u>29,551</u>	<u>18,602</u>	<u>24,571</u>
<b>Total</b>	<b><u>\$ 764,273</u></b>	<b><u>\$ 1,035,395</u></b>	<b><u>\$ 625,006</u></b>	<b><u>\$ 821,967</u></b>
Commission's Covered Payroll	\$ 1,059,760	\$ 954,253	\$ 1,023,987	\$ 946,251
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	70.18%	105.41%	59.22%	84.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.67%	87.00%	79.06%

\* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY – GENERAL EMPLOYEES PLAN (CONTINUED)**  
**LAST TEN YEARS\***

Measurement Date June 30,						
2019	2018	2017	2016	2015	2014	
0.0212%	0.0215%	0.0220%	0.0206%	0.0208%	0.0223%	
\$ 1,172,100	\$ 1,192,732	\$ 1,404,465	\$ 1,672,618	\$ 1,077,964	\$ 1,836,722	
36,332	39,115	17,656	21,877	-	-	
<b>\$ 1,208,432</b>	<b>\$ 1,231,847</b>	<b>\$ 1,422,121</b>	<b>\$ 1,694,495</b>	<b>\$ 1,077,964</b>	<b>\$ 1,836,722</b>	
\$ 1,494,048	\$ 1,434,947	\$ 1,416,949	\$ 1,278,579	\$ 1,222,039	\$ 1,597,724	
127.47%	120.31%	100.89%	76.44%	113.37%	86.99%	
80.23%	79.53%	75.90%	68.91%	78.20%	78.70%	

Measurement Date June 30,						
2019	2018	2017	2016	2015	2014	
0.0119%	0.0128%	0.1450%	0.0163%	0.0165%	0.1830%	
\$ 657,923	\$ 710,092	\$ 925,670	\$ 1,323,479	\$ 855,166	\$ 859,642	
20,499	23,433	11,668	-	-	-	
<b>\$ 678,422</b>	<b>\$ 733,525</b>	<b>\$ 937,338</b>	<b>\$ 1,323,479</b>	<b>\$ 855,166</b>	<b>\$ 859,642</b>	
\$ 843,579	\$ 876,693	\$ 929,242	\$ 1,008,407	\$ 968,376	\$ 995,462	
77.99%	81.00%	99.62%	131.24%	88.31%	86.36%	
80.23%	79.53%	75.90%	68.96%	78.70%	83.20%	

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF THE CITY CONTRIBUTIONS**  
**LAST TEN YEARS**

**General Employees Fund**

**Primary Government**

	2023	2022	2021	2020
Statutorily Required Contribution	\$ 166,406	\$ 155,993	\$ 144,237	\$ 126,686
Contributions in Relation to the Statutorily Required Contribution	(166,406)	(155,993)	(144,237)	(126,686)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's Covered Payroll	\$ 2,316,800	\$ 2,079,910	\$ 1,923,157	\$ 1,689,147
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%

**General Employees Fund**

**Discretely Presented Component Unit**

	2023	2022	2021	2020
Statutorily Required Contribution	\$ 85,779	\$ 71,179	\$ 70,983	\$ 77,409
Contributions in Relation to the Statutorily Required Contribution	(85,779)	(71,179)	(70,983)	(77,409)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's Covered Payroll	\$ 1,143,720	\$ 949,053	\$ 946,440	\$ 1,032,120
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%

**Fire Relief Association Plan**

	2023	2022	2021	2020
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	- -	- -	- -	- -
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF THE CITY CONTRIBUTIONS (CONTINUED)**  
**LAST TEN YEARS**

2019	2018	2017	2016	2015	2014
\$ 114,923	\$ 109,344	\$ 104,774	\$ 99,134	\$ 97,651	\$ 115,835
<u>(114,923)</u>	<u>(109,344)</u>	<u>(104,774)</u>	<u>(99,134)</u>	<u>(97,651)</u>	<u>(115,835)</u>
<u><u>\$ -</u></u>					
\$ 1,532,307	\$ 1,457,920	\$ 1,396,987	\$ 1,321,787	\$ 1,302,013	\$ 1,597,724
7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
2019	2018	2017	2016	2015	2014
\$ 66,316	\$ 63,356	\$ 64,404	\$ 73,268	\$ 74,844	\$ 72,171
<u>(66,316)</u>	<u>(63,356)</u>	<u>(64,404)</u>	<u>(73,268)</u>	<u>(74,844)</u>	<u>(72,171)</u>
<u><u>\$ -</u></u>					
\$ 884,213	\$ 844,747	\$ 858,720	\$ 976,907	\$ 997,920	\$ 995,462
7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
2019	2018	2017	2016	2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u><u>\$ -</u></u>					

**CITY OF DELANO, MINNESOTA**  
**INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY**  
**YEAR ENDED DECEMBER 31, 2023**

**Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios**

**General Employees Fund**

2023

**Changes in Actuarial Assumptions**

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

**Changes in Plan Provisions:**

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

2021

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

2020

**Changes in Actuarial Assumptions**

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

**CITY OF DELANO, MINNESOTA**  
**INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

**Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)**

**General Employees Fund (Continued)**

2020

**Changes in Actuarial Assumptions (Continued)**

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Changes in Plan Provisions**

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

2019

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

2018

**Changes in Actuarial Assumptions**

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

**CITY OF DELANO, MINNESOTA**  
**INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

**Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)**

**General Employees Fund (Continued)**

2018

**Changes in Plan Provisions**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost-of-Living Adjustment, not less than 1.00% and not more than 1.50%, 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

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**CITY OF DELANO, MINNESOTA**  
**INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

**Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)**

**General Employees Fund (Continued)**

2016

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

2015

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions:**

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

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE DELANO FIREFIGHTER'S**  
**RELIEF ASSOCIATION'S NET PENSION LIABILITY (ASSET)**  
**LAST NINE YEARS\***

	Measurement Date December 31,		
	2022	2021	2020
<b>Total Pension Liability:</b>			
Service Cost	\$ 31,628	\$ 29,303	\$ 24,940
Interest	61,542	55,639	52,488
Differences Between Expected and Actual Experience	-	-	-
Plan Changes	10,354	53,672	-
Changes of Assumptions	(12,927)	-	-
Gain or Loss	(46,647)	-	(17,466)
Benefit Payments, Including Member Contribution			
Refunds	(57,002)	-	(8,580)
Other Changes	-	-	-
Net Change in Total Pension Liability	<u>(13,052)</u>	<u>138,614</u>	<u>51,382</u>
Total Pension Liability - Beginning	<u>1,169,109</u>	<u>1,030,495</u>	<u>979,113</u>
Total Pension Liability - Ending (a)	<u>1,156,057</u>	<u>1,169,109</u>	<u>1,030,495</u>
<b>Plan Fiduciary Net Position:</b>			
Municipal Contributions	-	-	-
State Contributions	70,484	62,990	58,695
Net Investment Income	88,554	140,914	116,363
Benefit Payments	(57,002)	-	(8,580)
Administrative Expenses	(7,394)	(6,191)	(5,999)
Other Changes	<u>(289,799)</u>	<u>-</u>	<u>-</u>
Net Change in Fiduciary Net Position	<u>(195,157)</u>	<u>197,713</u>	<u>160,479</u>
Fiduciary Net Position - Beginning	<u>1,683,708</u>	<u>1,485,995</u>	<u>1,325,516</u>
Fiduciary Net Position - Ending (b)	<u>1,488,551</u>	<u>1,683,708</u>	<u>1,485,995</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (332,494)</u>	<u>\$ (514,599)</u>	<u>\$ (455,500)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	128.76%	144.02%	144.20%

\*Additional information will be added as it becomes available.

**CITY OF DELANO, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE DELANO FIREFIGHTER'S**  
**RELIEF ASSOCIATION'S NET PENSION LIABILITY (ASSET) (CONTINUED)**  
**LAST NINE YEARS\***

Measurement Date December 31,					
2019	2018	2017	2016	2015	2014
\$ 23,595	\$ 20,439	\$ 19,940	\$ 38,421	\$ 39,312	\$ 38,354
48,860	47,362	43,676	27,641	26,906	24,699
-	-	-	(35,756)	(75,661)	-
26,584	128,736	-	16,435	6,569	-
-	6,528	-	-	-	-
-	-	-	-	-	-
(54,000)	-	-	(29,076)	-	-
-	(72,245)	-	(43,886)	-	-
<u>45,039</u>	<u>130,820</u>	<u>63,616</u>	<u>(26,221)</u>	<u>(2,874)</u>	<u>63,053</u>
<u>934,074</u>	<u>803,254</u>	<u>739,638</u>	<u>765,859</u>	<u>768,733</u>	<u>705,680</u>
979,113	934,074	803,254	739,638	765,859	768,733
-	32,000	32,000	31,000	31,000	29,500
59,614	55,747	54,287	54,635	52,252	49,134
173,215	(78,137)	132,968	72,648	(22,242)	20,102
(54,000)	-	-	(29,076)	-	-
(11,318)	(288)	(302)	(1,138)	(659)	(181)
<u>5,089</u>	<u>(4,908)</u>	<u>(5,424)</u>	<u>(18,018)</u>	<u>(15,613)</u>	<u>(3,981)</u>
<u>172,600</u>	<u>4,414</u>	<u>213,529</u>	<u>110,051</u>	<u>44,738</u>	<u>94,574</u>
<u>1,152,916</u>	<u>1,148,502</u>	<u>934,973</u>	<u>824,922</u>	<u>780,184</u>	<u>685,610</u>
<u>1,325,516</u>	<u>1,152,916</u>	<u>1,148,502</u>	<u>934,973</u>	<u>824,922</u>	<u>780,184</u>
<u>\$ (346,403)</u>	<u>\$ (218,842)</u>	<u>\$ (345,248)</u>	<u>\$ (195,335)</u>	<u>\$ (59,063)</u>	<u>\$ (11,451)</u>
135.38%	123.43%	142.98%	126.41%	107.71%	101.49%

**COMBINING AND INDIVIDUAL NONMAJOR  
FUND FINANCIAL STATEMENTS**

**CITY OF DELANO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	Storm Drainage	Fire Department	Abatement District #1 Delano Crossing	TIF #7 Delano Commons Project	TIF #8 Downtown Redevelopment
<b>ASSETS</b>					
Cash and Investments	\$ 400,498	\$ 1,742,853	\$ 281,863	\$ -	\$ -
Accounts Receivable	-	14	-	6,118	-
Taxes Receivable	-	-	1,919	-	-
Due from Other Funds	-	-	-	-	-
Due from Component Unit	20,132	-	-	-	-
Due from Other Governmental Units	-	-	202	-	-
Land Held for Resale	-	-	-	-	-
Note Receivable	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 420,630</b>	<b>\$ 1,742,867</b>	<b>\$ 283,984</b>	<b>\$ 6,118</b>	<b>\$ -</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 18,809	\$ 7,958	\$ -	\$ -	\$ -
Accrued Compensation	-	21,174	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governmental Units	-	-	-	-	-
Advances from Other Funds	-	-	-	8,014	260,312
<b>Total Liabilities</b>	<b>18,809</b>	<b>29,132</b>	<b>-</b>	<b>8,014</b>	<b>260,312</b>
<b>RESOURCES</b>					
Unavailable Revenue	-	-	1,919	6,118	-
Total Deferred Inflows of Resources	-	-	1,919	6,118	-
<b>FUND BALANCE (DEFICIT)</b>					
Restricted for:					
Economic Development Activities	-	-	282,065	-	-
Park Improvements	401,821	-	-	-	-
Fire Equipment	-	845,761	-	-	-
Fire Building	-	402,501	-	-	-
Fire Department	-	465,473	-	-	-
Committed for Senior Activities	-	-	-	-	-
Unassigned	-	-	(8,014)	(260,312)	
<b>Total Fund Balance (Deficit)</b>	<b>401,821</b>	<b>1,713,735</b>	<b>282,065</b>	<b>(8,014)</b>	<b>(260,312)</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<b>\$ 420,630</b>	<b>\$ 1,742,867</b>	<b>\$ 283,984</b>	<b>\$ 6,118</b>	<b>\$ -</b>

**CITY OF DELANO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2023**

TIF #9	TIF #11	TIF #12 West Metro Business Park	TIF #14 Highway 12 / Tiger Drive	TIF #15 125 Woodland Rd	Riverside Commons	Economic Development	Revolving Loan	Senior Center	Total Nonmajor Special Revenue Funds
TIF #9 Delano Legacy	TIF #11 Industrial Louvers								
\$ - \$ 9,971	\$ -	\$ -	\$ -	\$ -	\$ (78,468)	\$ -	\$ 103,214	\$ 221,130	\$ 2,681,061
- -	- -	- -	- -	- -	\$ 93,481	- -	- -	60	99,673
- -	- -	- -	- -	- -	- -	- -	- -	- -	1,919
- 73,445	- -	- -	- -	- -	- -	- -	- -	- -	73,445
- -	- -	- -	- -	- -	- -	- -	- -	- -	20,132
- -	- -	- -	- -	- -	35,989	- -	- -	- -	36,191
- -	- -	- -	- -	- -	453,275	- -	- -	- -	453,275
- -	- -	- -	- -	- -	30,677	- -	- -	- -	30,677
<b>\$ - \$ 83,416</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,013</b>	<b>\$ 519,941</b>	<b>\$ 103,214</b>	<b>\$ 221,190</b>	<b>\$ 3,396,373</b>
\$ - \$ 88,092	\$ -	\$ 293	\$ 852	\$ 5,241	\$ -	\$ 9,786	\$ -	\$ 131,031	
- -	- -	- -	- -	\$ 3,183	- -	8,866	- -	33,223	
- 72,420	108,002	1,025	59,307	911,722	- -	- -	- -	1,152,476	
- -	- -	- -	- -	843	- -	- -	- -	843	
<b>802,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,070,440</b>
<b>802,114</b>	<b>-</b>	<b>72,420</b>	<b>196,094</b>	<b>1,318</b>	<b>60,159</b>	<b>920,989</b>	<b>-</b>	<b>18,652</b>	<b>2,388,013</b>
- -	- -	- -	- -	- -	0	30,677	- -	- -	38,714
- -	- -	- -	- -	- -	- -	30,677	- -	- -	38,714
- 83,416	- -	- -	- -	- -	- -	103,214	- -	- -	468,695
- -	- -	- -	- -	- -	- -	- -	- -	- -	401,821
- -	- -	- -	- -	- -	- -	- -	- -	- -	845,761
- -	- -	- -	- -	- -	- -	- -	- -	- -	402,501
- -	- -	- -	- -	- -	- -	- -	- -	- -	465,473
- -	- -	- -	- -	- -	- -	- -	- -	- -	202,538
<b>(802,114)</b>	<b>-</b>	<b>(72,420)</b>	<b>(196,094)</b>	<b>(1,318)</b>	<b>(45,146)</b>	<b>(431,725)</b>	<b>-</b>	<b>-</b>	<b>(1,817,143)</b>
<b>(802,114)</b>	<b>-</b>	<b>(72,420)</b>	<b>(196,094)</b>	<b>(1,318)</b>	<b>(45,146)</b>	<b>(431,725)</b>	<b>103,214</b>	<b>202,538</b>	<b>969,646</b>
\$ - \$ 83,416	\$ -	\$ -	\$ -	\$ -	\$ 15,013	\$ 519,941	\$ 103,214	\$ 221,190	\$ 3,396,373

**CITY OF DELANO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2023**

	Storm Drainage	Fire Department	Abatement District #1 Delano Crossing	TIF #7 Delano Commons Project	TIF #8 Downtown Redevelopment
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 99,372	\$ -	\$ -
Tax Increment	-	-	-	18,580	45,661
Licenses and Permits	-	44	-	-	-
Intergovernmental	-	90,563	-	-	-
Charges for Services	414,714	244,850	-	-	-
Investment Earnings	2,978	15,326	2,761	75	5
Rental Income	-	-	-	-	-
Miscellaneous	-	8,025	-	-	-
<b>Total Revenues</b>	<b>417,692</b>	<b>358,808</b>	<b>102,133</b>	<b>18,655</b>	<b>45,666</b>
<b>EXPENDITURES</b>					
Public Safety	75,179	445,257	-	-	-
Economic Development	-	-	24,550	1,859	4,566
Community Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	954	7,768
<b>Total Expenditures</b>	<b>75,179</b>	<b>445,257</b>	<b>24,550</b>	<b>2,813</b>	<b>12,334</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	342,513	(86,449)	77,583	15,842	33,332
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	484,055	-	-	-
Transfers Out	(150,375)	-	(93,000)	-	(34,725)
<b>Total Other Financing Sources (Uses)</b>	<b>(150,375)</b>	<b>484,055</b>	<b>(93,000)</b>	<b>-</b>	<b>(34,725)</b>
<b>NET CHANGE IN FUND BALANCE</b>					
	192,138	397,606	(15,417)	15,842	(1,393)
Fund Balance (Deficit) - Beginning of Year	209,683	1,316,129	297,482	(23,856)	(258,919)
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ 401,821</b>	<b>\$ 1,713,735</b>	<b>\$ 282,065</b>	<b>\$ (8,014)</b>	<b>\$ (260,312)</b>

**CITY OF DELANO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

TIF #9 Delano Legacy	TIF #11 Industrial Louvers	TIF #12 West Metro Business Park	TIF #14 Highway 12 / Tiger Drive	TIF #15 125 Woodland Rd	Riverside Commons	Economic Development	Revolving Loan	Senior Center	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,372
47,132	67,446	384,003	-	-	-	-	-	-	562,822
-	-	-	-	-	-	-	-	-	44
-	-	-	-	-	-	-	-	-	90,563
-	-	-	-	-	-	94,325	-	80,257	834,146
254	516	1,884	(157)	(2)	(531)	(7,257)	1,014	16,034	32,900
-	-	-	-	-	11,291	-	-	5,099	16,390
8,087	-	-	-	-	12,000	-	-	118,426	146,538
55,473	67,962	385,887	(157)	(2)	22,760	87,068	1,014	219,816	1,782,775
-	-	-	-	-	-	-	-	-	520,436
4,714	6,745	-	195,937	1,316	-	485,341	-	-	725,028
-	-	-	-	-	17,530	-	-	513,807	531,337
40,613	-	-	-	-	-	-	-	-	49,335
45,327	6,745	-	195,937	1,316	17,530	485,341	-	513,807	1,826,136
10,146	61,217	385,887	(196,094)	(1,318)	5,230	(398,273)	1,014	(293,991)	(43,361)
-	-	-	-	-	-	21,000	-	286,900	791,955
-	(458,307)	-	-	-	-	-	-	-	(736,407)
-	(458,307)	-	-	-	-	21,000	-	286,900	55,548
10,146	61,217	(72,420)	(196,094)	(1,318)	5,230	(377,273)	1,014	(7,091)	12,187
(812,260)	22,199	-	-	-	(50,376)	(54,452)	102,200	209,629	957,459
\$ (802,114)	\$ 83,416	\$ (72,420)	\$ (196,094)	\$ (1,318)	\$ (45,146)	\$ (431,725)	\$ 103,214	\$ 202,538	\$ 969,646

**DISCRETELY PRESENTED COMPONENT UNIT**

**CITY OF DELANO, MINNESOTA**  
**DELANO WATER, LIGHT, AND POWER COMMISSION**  
**STATEMENT OF NET POSITION BY DEPARTMENT**  
**DECEMBER 31, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Electric	Water	Total
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 492,599	\$ 2,444,003	\$ 2,936,602
Accounts Receivable	780,280	348,258	1,128,538
Miscellaneous Receivables	55,914	4,681	60,595
Inventories	1,670,045	384,491	2,054,536
Prepaid Items	87	-	87
Total Current Assets	<u>2,998,925</u>	<u>3,181,433</u>	<u>6,180,358</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets:			
Utility Plant Capital Investments	29,322,574	23,378,167	52,700,741
Intangible Assets - Service Territory Acquisition	1,082,069	-	1,082,069
Construction in Progress	2,988,283	622,007	3,610,290
Land	8,602	-	8,602
Total Capital Assets	<u>33,401,528</u>	<u>24,000,174</u>	<u>57,401,702</u>
Less: Accumulated Depreciation and Amortization	<u>(14,755,812)</u>	<u>(8,875,947)</u>	<u>(23,631,759)</u>
Total Net Capital Assets	<u>18,645,716</u>	<u>15,124,227</u>	<u>33,769,943</u>
Total Noncurrent Assets	<u>18,645,716</u>	<u>15,124,227</u>	<u>33,769,943</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	<u>171,017</u>	<u>57,006</u>	<u>228,023</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 21,815,658</u></u>	<u><u>\$ 18,362,666</u></u>	<u><u>\$ 40,178,324</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Long-Term Debt	\$ 110,647	\$ 611,995	\$ 722,642
Current Portion of Lease Liability	170,262	-	170,262
Accounts Payable	737,905	16,753	754,658
Accrued Compensation	34,817	13,105	47,922
Compensated Absences, Current Portion	15,651	4,942	20,593
Accrued Interest Payable	64,783	73,789	138,572
Due to Other Governmental Units	-	209,053	209,053
Deposits	95,955	-	95,955
Unearned Revenue	-	517,106	517,106
Total Current Liabilities	<u>1,230,020</u>	<u>1,446,743</u>	<u>2,676,763</u>
<b>LONG-TERM LIABILITIES</b>			
Loan Payable - Long-Term	-	-	-
Long-Term Debt, Net of Current Portion	2,861,250	3,156,837	6,018,087
Lease Liability	1,202,012	-	1,202,012
Compensated Absences	45,777	16,001	61,778
Net Pension Liability	557,791	185,930	743,721
Total Long-Term Liabilities	<u>4,666,830</u>	<u>3,358,768</u>	<u>8,025,598</u>
Total Liabilities	<u>5,896,850</u>	<u>4,805,511</u>	<u>10,702,361</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Regulatory Collections to Cover Future Costs	555,549	-	555,549
Pension Related	208,865	69,622	278,487
Total Deferred Inflows of Resources	<u>764,414</u>	<u>69,622</u>	<u>834,036</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,301,545	11,355,395	25,656,940
Unrestricted	852,849	2,132,138	2,984,987
Total Net Position	<u>15,154,394</u>	<u>13,487,533</u>	<u>28,641,927</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 21,815,658</u></u>	<u><u>\$ 18,362,666</u></u>	<u><u>\$ 40,178,324</u></u>

**CITY OF DELANO, MINNESOTA**  
**DELANO WATER, LIGHT, AND POWER COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION BY DEPARTMENT**  
**YEAR ENDED DECEMBER 31, 2023**

	Electric	Water	Total
<b>OPERATING REVENUES</b>			
Sales	\$ 8,337,835	\$ 1,711,284	\$ 10,049,119
Other Operating Revenues	(15,592)	-	(15,592)
Total Operating Revenues	<u>8,322,243</u>	<u>1,711,284</u>	<u>10,033,527</u>
<b>OPERATING EXPENSES</b>			
Production	4,903,906	331,050	5,234,956
Distribution	566,673	173,991	740,664
Administrative, Maintenance, and General Expenses	1,266,205	396,820	1,663,025
Depreciation	1,009,342	559,556	1,568,898
Total Operating Expenses	<u>7,746,126</u>	<u>1,461,417</u>	<u>9,207,543</u>
<b>OPERATING INCOME</b>	576,117	249,867	825,984
Miscellaneous Other Income (Expenses)	<u>(175,638)</u>	<u>158,078</u>	<u>(17,560)</u>
<b>NET INCOME BEFORE CONTRIBUTIONS</b>	400,479	407,945	808,424
Capital Contributions	<u>121,618</u>	<u>-</u>	<u>121,618</u>
<b>CHANGE IN NET POSITION</b>	522,097	407,945	930,042
Net Position - Beginning of Year	<u>14,632,297</u>	<u>13,079,588</u>	<u>27,711,885</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 15,154,394</u></u>	<u><u>\$ 13,487,533</u></u>	<u><u>\$ 28,641,927</u></u>

## **OTHER REPORTS SECTION**



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Delano, 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, 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, and have issued our report thereon dated June 21, 2024. We did not audit the basic financial statements of the Delano Water, Light, and Power Commission which represents the amounts shown as the discretely presented component unit.

In connection with our audit, we noted that the City of Delano failed to comply with the provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described below as items 2023-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Delano failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters,. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Delano's response to the legal compliance findings identified in our audit and described below. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **2023-001: Miscellaneous Provisions: Unclaimed Property**

**Condition:** It was noted that there were eight checks outstanding older than three years included in the bank reconciliation.

**Criteria:** MN Statute §345.38-43 requires that if the City's records show unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation); is the property reported and paid or delivered to the state Commissioner of Commerce.

Honorable Mayor and  
Members of the City Council  
City of Delano, Minnesota

**2023-001: Miscellaneous Provisions: Unclaimed Property (Continued)**

**Effect:** The City of Delano was not in compliance with Minnesota Statutes regarding unclaimed property.

**Cause:** The finance department overlooked these checks during the year.

**Recommendation:** The City remits all unclaimed property over three years to the state Commissioner of Commerce.

**Management Response:** The City will ensure that all unclaimed property will be delivered to the state Commissioner of Commerce as required by statute.

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 logo consists of the company name "CliftonLarsonAllen LLP" written in a stylized, cursive, black font.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 21, 2024



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