Financial Statements
December 31, 2023

City of Morris, Minnesota

EideBailly®

Name	Position	Term Expires January 1,
Council		
Kevin Wohlers	Mayor	2027
Kim Gullickson	Council Member	2025
Zachary Kroells	Council Member	2025
Brian Solvie	Council Member	2027
Jeff Miller	Council Member	2027
Officials		
Rebecca Schrupp	City Manager	
Whitney Millard	Finance Director	

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris, 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, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported as long-term liabilities as of December 31, 2022, were discovered by management of the City during the current year. Accordingly, a restatement has been made to the governmental activities net position as of January 1, 2023, to correct the error. Our opinions are not modified with respect to that matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.
- 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 Schedule of Changes in the City's Total OPEB Liability and Related Ratios; the Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Contributions; the Schedule of Changes in Net Pension Liability – Fire Relief Association; and Schedule of Employer Contributions and Non-Employer Contributing Entities – Fire Relief Association 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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 balance sheet-nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor governmental funds; combining balance sheet-nonmajor special revenue funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor special revenue funds; combining balance sheet-nonmajor debt service funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor debt service funds; combining balance sheet-nonmajor capital project funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor capital projects funds; combining schedule of net position-internal service funds; combining schedule of revenues, expenses, and changes in net position-internal service funds; combining schedule of cash flows-internal service funds; and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 balance sheet-nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor governmental funds; combining balance sheet-nonmajor special revenue funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor special revenue funds; combining balance sheet-nonmajor debt service funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor debt service funds; combining balance sheet-nonmajor capital project funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor capital projects funds; combining schedule of net position-internal service funds; combining schedule of revenues, expenses, and changes in net position-internal service funds; combining schedule of cash flows-internal service funds; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

In connection with our audit of the 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 a report dated April 30, 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, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated April 30, 2024, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
April 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 8,139,740	$ 4,350,329	$ 12,490,069
Restricted cash	-	457,571	457,571
Receivables			
Accounts	234,817	389,556	624,373
Property taxes	27,038	-	27,038
Special assessments	1,191,848	23,504	1,215,352
Intergovernmental	688,405	-	688,405
Leases	4,456	101,441	105,897
Interest	12	4	16
Inventories	13,410	294,396	307,806
Prepaid items	136,475	58,287	194,762
Net pension asset - fire relief association	146,085	-	146,085
Capital assets, net of accumulated depreciation/amortization			
Land	515,820	187,412	703,232
Construction in progress	10,469,717	-	10,469,717
Buildings	2,069,744	16,538,992	18,608,736
Improvements other than buildings	1,549,996	6,240,586	7,790,582
Machinery and equipment	2,803,117	622,688	3,425,805
Infrastructure	11,719,323	-	11,719,323
Right-to-use leased property	3,908	6,718	10,626
Total assets	39,713,911	29,271,484	68,985,395
Deferred Outflows of Resources			
Pension plans	1,290,835	88,847	1,379,682
Liabilities			
Interest payable	110,027	20,092	130,119
Accounts payable	196,583	93,675	290,258
Accrued wages payable	28,189	10,509	38,698
Due to other governmental units	21,361	27,869	49,230
Unearned revenue	72,856	-	72,856
Noncurrent liabilities			
Due within one year - other than OPEB and pension liabilities	1,004,598	195,377	1,199,975
Due in more than one year - other than OPEB and pension liabilities	5,279,329	4,851,164	10,130,493
Due in more than one year - Total OPEB obligations	136,957	-	136,957
Due in more than one year - net pension liability	1,120,741	349,020	1,469,761
Total liabilities	7,970,641	5,547,706	13,518,347
Deferred Inflows of Resources			
Leases	5,017	96,631	101,648
Pension plans	1,740,302	114,223	1,854,525
Total Deferred Inflows of Resources	1,745,319	210,854	1,956,173
Net Position			
Net investment in capital assets	23,055,293	18,549,855	41,605,148
Restricted	3,606,143	-	3,606,143
Unrestricted	4,627,350	5,051,916	9,679,266
Total net position	$ 31,288,786	$ 23,601,771	$ 54,890,557

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	$ 1,335,079	$ 32,830	$ -	$ -	$ (1,302,249)	$ -	$ (1,302,249)
Public safety	1,294,607	129,065	500,581	3,844	(661,117)	-	(661,117)
Public works	1,507,244	66,199	642,307	-	(798,738)	-	(798,738)
Culture and recreation	982,970	125,915	-	212,806	(644,249)	-	(644,249)
Conservation and economic development	285,641	-	-	-	(285,641)	-	(285,641)
Airport	393,539	182,508	30,967	81,956	(98,108)	-	(98,108)
Transit	565,309	89,559	782,846	-	307,096	-	307,096
Interest on long-term debt	270,641	-	-	-	(270,641)	-	(270,641)
Total governmental activities	6,635,030	626,076	1,956,701	298,606	(3,753,647)	-	(3,753,647)
Business-type activities							
Water	1,827,825	1,542,543	-	6,540	-	(278,742)	(278,742)
Sewer	393,190	576,870	-	74	-	183,754	183,754
Liquor	2,395,916	2,527,463	-	-	-	131,547	131,547
Refuse collection	396,782	418,817	-	-	-	22,035	22,035
Total business-type activities	5,013,713	5,065,693	-	6,614	-	58,594	58,594
Total Primary Government	$ 11,648,743	$ 5,691,769	$ 1,956,701	$ 305,220	(3,753,647)	58,594	(3,695,053)
General revenues and transfers							
Property taxes					1,731,458	-	1,731,458
Franchise fees					306,873	-	306,873
Grants and contributions not restricted for specific programs					2,551,986	-	2,551,986
Unrestricted investment earnings					357,718	161,264	518,982
Miscellaneous					559,819	139,258	699,077
Transfers					268,474	(268,474)	-
Total general revenue					5,776,328	32,048	5,808,376
Change in net position					2,022,681	90,642	2,113,323
Net position - beginning of year, as restated (Note 17)					29,266,105	23,511,129	52,777,234
Net position - ending of year					$ 31,288,786	$ 23,601,771	$ 54,890,557

	General	2022A G.O. Bonds	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 4,406,994	$ 160,247	$ 3,342,424	$ 7,909,665
Receivables				
Accounts	207,269	-	27,548	234,817
Property taxes	17,709	1,236	8,093	27,038
Special assessments	7,551	391,702	792,595	1,191,848
Intergovernmental	249,334	-	439,071	688,405
Interest	12	-	-	12
Leases	4,456	-	-	4,456
Advances due from other funds	480,000	-	-	480,000
Inventories	13,410	-	-	13,410
Prepaid items	121,420	-	12,724	134,144
Total assets	$ 5,508,155	$ 553,185	$ 4,622,455	$ 10,683,795
Liabilities				
Accounts payable	$ 36,989	$ -	$ 154,478	$ 191,467
Accrued wages payable	22,266	-	4,777	27,043
Due to other governmental units	21,352	-	9	21,361
Advances due to other funds	-	-	480,000	480,000
Unearned revenue	72,856	-	-	72,856
Total liabilities	153,463	-	639,264	792,727
Deferred Inflows of Resources				
Unavailable revenue-property taxes	17,709	1,236	8,093	27,038
Unavailable revenue-special assessments	7,551	391,702	792,595	1,191,848
Leases	5,017	-	-	5,017
Total deferred inflows of resources	30,277	392,938	800,688	1,223,903
Fund Balances (Deficit)				
Nonspendable	134,830	-	12,724	147,554
Restricted	-	160,247	3,200,470	3,360,717
Committed	1,684,475	-	-	1,684,475
Unassigned	3,505,110	-	(30,691)	3,474,419
Total fund balances	5,324,415	160,247	3,182,503	8,667,165
Total liabilities, deferred inflows of resources, and fund balances	$ 5,508,155	$ 553,185	$ 4,622,455	$ 10,683,795

Total Fund Balances - Governmental Funds	$ 8,667,165
Amounts reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	29,045,772
Other long-term assets not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,218,886
Long-term assets from pensions reported in governmental activities are not financial resources and, therefore, are not reported in the funds.	146,085
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(446,540)
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance, replacement of City vehicles and equipment and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	61,225
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(110,027)
Net OPEB obligations are not recognized in the funds.	(136,957)
Long-term liabilities, including compensated absences, bonds payable, direct borrowings, leases and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,156,823)
Net Position of Governmental Activities	$ 31,288,786

	General	2022A G.O. Bonds	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 1,134,148	$ 91,899	$ 496,285	$ 1,722,332
Tax increments	-	-	205,236	205,236
Special assessments	5,423	53,728	201,849	261,000
Licenses and permits	57,951	-	-	57,951
Intergovernmental revenue	3,097,291	-	1,364,898	4,462,189
Charges for services	452,672	-	67,323	519,995
Fines and forfeitures	7,617	-	-	7,617
Lodging tax	4,405	-	86,174	90,579
Contributions and donations	8,169	-	18,912	27,081
Franchise fees	306,873	-	-	306,873
Interest earnings	154,434	3,481	93,211	251,126
Investment gain	97,653	-	-	97,653
Miscellaneous revenues	218,751	-	100,255	319,006
Total revenues	5,545,387	149,108	2,634,143	8,328,638
Expenditures				
Current				
General government	778,934	-	-	778,934
Public safety	1,179,913	-	-	1,179,913
Public works	773,855	-	-	773,855
Culture and recreation	358,908	-	405,629	764,537
Conservation and economic development	77,562	-	101,853	179,415
Airport	224,916	-	54,872	279,788
Transit	760,666	-	-	760,666
Other	219,354	-	176,468	395,822
Capital outlay	869,939	-	969,678	1,839,617
Debt service				
Principal	47,352	-	926,948	974,300
Interest and fees	21,101	84,645	111,431	217,177
Total expenditures	5,312,500	84,645	2,746,879	8,144,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	232,887	64,463	(112,736)	184,614
Other Financing Sources (Uses)				
Transfers from other funds	546,350	62,604	530,192	1,139,146
Transfers to other funds	(604,796)	-	(274,276)	(879,072)
Proceeds from sale of capital assets	30,000	-	-	30,000
Total other financing sources (uses)	(28,446)	62,604	255,916	290,074
Net Change in Fund Balances	204,441	127,067	143,180	474,688
Fund Balance - Beginning of the Year	5,119,974	33,180	3,039,323	8,192,477
Fund Balance - End of the Year	$ 5,324,415	$ 160,247	$ 3,182,503	$ 8,667,165

Net Change in Fund Balances - Total Governmental Funds	$ 474,688
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	
Capital outlay	1,963,269
Depreciation/amortization expense	(1,316,036)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(196,110)
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	127,920
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(13,775)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	949,088
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance and compensated absences to certain funds. The net revenue of the internal service funds is reported in governmental activities.	33,637
Change in Net Position of Governmental Activities	$ 2,022,681

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

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Property taxes	$ 1,130,266	$ 1,130,266	$ 1,134,148	$ 3,882
Special assessments	5,152	5,152	5,423	271
Licenses and permits	44,850	44,850	57,951	13,101
Intergovernmental revenue	4,375,017	4,375,017	3,097,291	(1,277,726)
Charges for services	352,500	352,500	452,672	100,172
Lodging tax	3,300	3,300	4,405	1,105
Fines and forfeitures	12,500	12,500	7,617	(4,883)
Contributions and donations	10,500	10,500	8,169	(2,331)
Franchise fees	270,000	270,000	306,873	36,873
Interest earnings	30,000	30,000	154,434	124,434
Investment gain	-	-	97,653	(97,653)
Miscellaneous revenues	25,000	25,000	218,751	193,751
Total revenues	6,259,085	6,259,085	5,545,387	(909,004)
Expenditures				
General government				
Council and mayor	55,447	55,447	59,713	(4,266)
City manager	310,243	310,243	332,384	(22,141)
Elections	155	155	76	79
Finance	230,763	230,763	227,557	3,206
Assessing	33,959	33,959	33,959	-
Auditing	19,800	19,800	23,590	(3,790)
City attorney	50,000	50,000	50,000	-
Employee safety	1,800	1,800	1,977	(177)
Planning and zoning	700	700	1,320	(620)
Building maintenance	39,350	39,350	45,808	(6,458)
Parking	2,300	2,300	2,550	(250)
Total general government	744,517	744,517	778,934	(34,417)
Public safety				
Police	930,750	930,750	913,987	16,763
Fire department	205,979	205,979	168,895	37,084
Fire prevention for kids	4,370	4,370	3,320	1,050
Building inspections	49,741	49,741	47,818	1,923
Rental inspections	35,000	35,000	45,182	(10,182)
Civil defense	1,050	1,050	711	339
Capital outlay	59,500	59,500	79,245	(19,745)
Total public safety	1,286,390	1,286,390	1,259,158	27,232
Public works				
Street maintenance	698,559	698,559	686,293	12,266
Ice and snow removal	24,500	24,500	18,214	6,286
Street lighting	76,100	76,100	69,348	6,752
Capital outlay	378,371	378,371	371,212	7,159
Total public works	1,177,530	1,177,530	1,145,067	32,463

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Expenditures, Continued				
Culture and recreation				
Community education	56,042	56,042	56,042	-
Parks	307,555	307,555	302,866	4,689
Capital outlay	239,465	239,465	285,703	(46,238)
Total culture and recreation	603,062	603,062	644,611	(41,549)
Conservation and economic development				
Shade Tree	24,000	24,000	26,704	(2,704)
Economic development	55,081	55,081	50,858	4,223
Total conservation and economic development	79,081	79,081	77,562	1,519
Other				
Airport	146,971	146,971	224,916	(77,945)
Airport capital outlay	4,500	4,500	133,779	(129,279)
Transit	2,288,020	2,288,020	760,666	1,527,354
Debt service principal	-	-	47,352	(47,352)
Interest and fees	72,753	72,753	21,101	51,652
Unallocated expenditures	120,712	120,712	219,354	(98,642)
Total other	2,632,956	2,632,956	1,407,168	1,225,788
Total expenditures	6,523,536	6,523,536	5,312,500	1,211,036
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,451)	(264,451)	232,887	(497,338)
Other Financing Sources (Uses)				
Transfers from other funds	618,179	618,179	546,350	(71,829)
Transfers to other funds	(597,659)	(597,659)	(604,796)	(7,137)
Proceeds from sale of capital assets	15,000	15,000	30,000	15,000
Total other financing sources (uses)	35,520	35,520	(28,446)	(63,966)
Net Change in Fund Balances	$ (228,931)	$ (228,931)	204,441	$ 433,372
Fund Balance - Beginning of Year			5,119,974	
Fund Balance - End of Year			$ 5,324,415	

City of Morris, Minnesota
Proprietary Funds
Statement of Net Position
December 31, 2023

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Assets						
Current Assets						
Cash and investments	$ 990,577	$ 1,846,958	$ 1,466,315	$ 46,479	$ 4,350,329	$ 230,075
Restricted cash	457,571	-	-	-	457,571	-
Receivables						
Accounts	247,637	73,224	28,242	40,453	389,556	-
Special assessments	22,154	1,350	-	-	23,504	-
Interest	4	-	-	-	4	-
Leases	101,441	-	-	-	101,441	-
Inventories	90,771	-	203,625	-	294,396	-
Prepaid items	32,992	13,830	11,465	-	58,287	2,331
Total current assets	1,943,147	1,935,362	1,709,647	86,932	5,675,088	232,406
Noncurrent Assets						
Capital assets						
Land	33,368	154,044	-	-	187,412	-
Building	18,004,452	-	296,057	-	18,300,509	-
Improvements other than buildings	7,694,822	7,118,148	95,618	-	14,908,588	22,853
Machinery and equipment	675,440	795,565	17,575	-	1,488,580	107,773
Right-to-use leased property	7,269	-	-	-	7,269	-
Less accumulated depreciation/amortization	(5,596,928)	(5,431,680)	(267,354)	-	(11,295,962)	(44,773)
Net capital assets	20,818,423	2,636,077	141,896	-	23,596,396	85,853
Total assets	22,761,570	4,571,439	1,851,543	86,932	29,271,484	318,259
Deferred Outflows of Resources						
Pension plans	42,235	11,045	35,567	-	88,847	10,246
Liabilities						
Current Liabilities						
Interest payable	20,092	-	-	-	20,092	-
Accounts payable	22,106	10,494	61,075	-	93,675	5,116
Accrued wages payable	4,023	2,236	4,250	-	10,509	1,146
Compensated absences payable	-	-	-	-	-	69,198
Due to other governmental units	648	-	22,873	4,348	27,869	-
Current portion of long-term debt	195,377	-	-	-	195,377	-
Total current liabilities	242,246	12,730	88,198	4,348	347,522	75,460
Noncurrent Liabilities						
Bonds and notes payable	4,844,623	-	-	-	4,844,623	-
Leases	6,541	-	-	-	6,541	-
Compensated absences payable	-	-	-	-	-	138,397
Net pension liability	165,914	43,389	139,717	-	349,020	40,250
Total noncurrent liabilities	5,017,078	43,389	139,717	-	5,200,184	178,647
Total liabilities	5,259,324	56,119	227,915	4,348	5,547,706	254,107
Deferred Inflows of Resources						
Pension plans	54,298	14,200	45,725	-	114,223	13,173
Leases	96,631	-	-	-	96,631	-
Total deferred inflows of resources	150,929	14,200	45,725	-	210,854	13,173
Net Position						
Net investment in capital assets	15,771,882	2,636,077	141,896	-	18,549,855	85,853
Restricted	457,571	-	-	-	457,571	-
Unrestricted	1,164,099	1,876,088	1,471,574	82,584	4,594,345	(24,628)
Total net position	$ 17,393,552	$ 4,512,165	$ 1,613,470	$ 82,584	$ 23,601,771	$ 61,225

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Operating Revenues						
Charges for services	$ 1,542,543	$ 576,870	$ 2,527,463	$ 418,817	$ 5,065,693	$ 217,890
Cost of sales	-	-	(1,931,928)	-	(1,931,928)	(72,189)
Total operating revenues	1,542,543	576,870	595,535	418,817	3,133,765	145,701
Operating Expenses						
Water pumping	5,843	-	-	-	5,843	-
Water treatment	810,678	-	-	-	810,678	-
Water distribution	210,658	-	-	-	210,658	-
Water administration	193,490	106,416	-	-	299,906	-
Wastewater	-	182,542	-	-	182,542	-
Refuse collection	-	-	-	396,782	396,782	-
Other services and charges	-	-	451,225	-	451,225	122,361
Depreciation/amortization	550,087	104,232	12,763	-	667,082	7,043
Total operating expenses	1,770,756	393,190	463,988	396,782	3,024,716	129,404
Operating Income (Loss)	(228,213)	183,680	131,547	22,035	109,049	16,297
Nonoperating Revenues (Expenses)						
Interest income	48,343	64,372	46,830	1,719	161,264	8,940
Other income	85,186	50,850	40	3,182	139,258	-
Interest expense	(57,069)	-	-	-	(57,069)	-
Special assessment - interest	6,540	74	-	-	6,614	-
Total nonoperating revenues	83,000	115,296	46,870	4,901	250,067	8,940
Income (Loss) before Transfers	(145,213)	298,976	178,417	26,936	359,116	25,237
Transfers In (Out)						
Transfers in	-	-	-	-	-	12,000
Transfers out	(111,366)	(82,808)	(52,300)	(22,000)	(268,474)	(3,600)
Total transfers in (out)	(111,366)	(82,808)	(52,300)	(22,000)	(268,474)	8,400
Change in Net Position	(256,579)	216,168	126,117	4,936	90,642	33,637
Net Position - Beginning	17,650,131	4,295,997	1,487,353	77,648	23,511,129	27,588
Net Position - Ending	$ 17,393,552	$ 4,512,165	$ 1,613,470	$ 82,584	$ 23,601,771	$ 61,225

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Operating Activities						
Receipts from customers and users	$ 1,470,880	$ 574,769	$ 2,531,928	$ 417,371	$ 4,994,948	$ -
Receipts from interfund services provided	-	-	-	-	-	217,890
Payments to vendors	(1,042,945)	(180,793)	(1,710,211)	(396,993)	(3,330,942)	(82,792)
Payments to employees	(189,487)	(119,440)	(654,397)	-	(963,324)	(173,194)
Net Cash from (Used for) Operating Activities	238,448	274,536	167,320	20,378	700,682	(38,096)
Noncapital Financing Activity						
Other income	85,186	50,850	40	3,182	139,258	-
Transfer in	-	-	-	-	-	8,400
Transfer out	(111,366)	(82,808)	(52,300)	(22,000)	(268,474)	-
Net Cash from (Used for) Noncapital Financing Activities	(26,180)	(31,958)	(52,260)	(18,818)	(129,216)	8,400
Capital and Related Financing Activities						
Acquisition of capital assets	(28,673)	(255,910)	-	-	(284,583)	(12,000)
Special assessments and other	6,701	209	-	-	6,910	-
Payments on long-term debt						
Principal	(193,920)	-	-	-	(193,920)	-
Interest	(57,825)	-	-	-	(57,825)	-
Net Cash Used for Capital and Related Financing Activities	(266,448)	(255,701)	-	-	(522,149)	(12,000)
Investing Activity						
Interest earnings	48,343	64,372	46,830	1,719	161,264	8,940
Net Change in Cash, Cash Equivalents, and Restricted Cash	(5,837)	51,249	161,890	3,279	210,581	(32,756)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,453,985	1,795,709	1,304,425	43,200	4,597,319	262,831
Cash,Cash Equivalents and Restricted Cash, End of Year	$ 1,448,148	$ 1,846,958	$ 1,466,315	$ 46,479	$ 4,807,900	$ 230,075

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Reconciliation of Operating Income (Loss) to Net Cash from (Used for) Operating Activities						
Operating income (loss)	$ (228,213)	$ 183,680	$ 131,547	$ 22,035	$ 109,049	$ 16,297
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities						
Depreciation/amortization	550,087	104,232	12,763	-	667,082	7,043
Change in assets and liabilities						
Accounts receivable	(88,247)	(2,101)	4,465	(1,446)	(87,329)	-
Lease receivable	16,588	-	-	-	16,588	-
Interest receivable	(4)	-	-	-	(4)	-
Inventories	(39,847)	-	(18,221)	-	(58,068)	-
Prepaid items	(906)	(296)	(30)	-	(1,232)	71
Accounts payable	(9,907)	8,902	27,600	(292)	26,303	(3,008)
Accrued wages payable	(110)	(23)	556	-	423	28
Deferred inflow of resources - leases	(21,398)	-	-	-	(21,398)	-
Net pension liability and related deferred inflows and outflows of resources	60,453	(19,858)	9,709	-	50,304	(7,666)
Due to other governmental units	(48)	-	(1,069)	81	(1,036)	-
Compensated absences payable	-	-	-	-	-	(50,861)
Net Cash from (Used for) Operating Activities	$ 238,448	$ 274,536	$ 167,320	$ 20,378	$ 700,682	$ (38,096)

Note 1 - Summary of Significant Accounting Policies

The City of Morris, Minnesota (the City of Morris or the City) was incorporated in 1903 and operates under a mayor-council form of government. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Based on the preceding criteria, the following blended component unit has been included in the accompanying financial statements:

- The Economic Development Authority (EDA or the Authority) governing board is substantively the same as the City Council. Debt issued for authority activities is payable from dedicated revenues such as tax increment levies and may pledge the faith and credit of the Authority and the City. Tax increment districts created and administered by the Authority are reported as special revenue funds. The EDA does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include: 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when the payment is due.

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

The City reports the following major governmental funds:

- General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- 2022A G.O. Bonds Fund – This fund is used to account for the resources accumulated and payments made for the 2022A general obligation bonds.

The City reports the following major proprietary funds:

- Water Fund – This fund accounts for the provision of water utility service to the residents of the City.
- Sewer Fund – This fund accounts for the provision of sewer service to residents of the City.
- Liquor Fund – This fund accounts for the operation of the City's municipal liquor store.

Additionally, the City reports the following fund type:

- Internal Service Funds – These funds account for the following activities provided to other departments of the City on a cost reimbursement basis: central garage and compensated absences.

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

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the City has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

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

Budgets

Budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund. In addition to the General Fund, the City adopted budgets for various nonmajor funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adjusted. Any changes in the budget must be approved by a majority vote of the City Council. The legal level of budgetary control is the department level. All unexpended appropriations lapse at year-end. The City does not utilize encumbrance accounting and reporting.

Formal budgetary policies are not employed for debt service funds and capital projects because effective budgetary control is alternatively achieved by council approval of individual projects and expenditures.

Cash, Investments, and Restricted Cash

The City maintains a cash and investment pool, which includes interest bearing checking accounts and money market funds that are used by substantially all city funds. Interest income is allocated to the funds based on average monthly cash and investment balances.

Investments include certificates of deposits with an original maturity of more than three months.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash.

Restricted cash for the City relates to funds set aside for future water treatment plant maintenance and replacement.

Receivables and Credit Policy

The accounts receivable are uncollateralized customer obligation due under normal terms requiring payment within 30 days from the invoice date. After 30 days, a penalty of 10% is added to the outstanding balance. After 45 days, if payment is not received, the service is disconnected. The City estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. As of December 31, 2023 and 2022, the allowance for doubtful accounts was zero.

Inventories

Inventories of the proprietary funds are presented on an average cost basis. Inventories of governmental funds are recorded as expenditures when purchased.

Prepaid Items

Certain cash payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated life of more than two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City reviews its property for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event or change in circumstances is outside the normal cycle of the capital asset.

Mains and lines, infrastructure, buildings, improvements and equipment of the City are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Mains and lines	35 - 50 years
Infrastructure	30 years
Building and improvements	20 - 40 years
Equipment	5 - 20 years

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease term, plus any direct costs necessary to place the lease asset into service. Right to use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Stevens County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with state statues. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties to the City.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Compensated Absences

City employees are compensated for unused vacation leave up to a maximum 35 days (280 hours). Upon retirement or termination, employees receive a percentage of accumulated sick leave as severance pay. Compensated absences payable is recorded in the Compensated Absences Internal Service Fund and on the government-wide Statement of Net Position.

Long-Term Obligations

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

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

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

Other Postemployment Benefits

Under the provisions of the various employee and union contracts the City provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75.

Pensions

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The City has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consist of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has three types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and special assessments on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The second item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position. The third item is deferred inflows related to leases where the City is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) using the straight-line method over the term of the lease.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not include in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City will strive to maintain a minimum unrestricted general fund balance of at least 35% of the City's general fund operating budget, excluding the accounts associated within the restricted category of the combined total of the general fund committed, assigned, and unassigned fund balances. The first priority is to utilize the nonspendable fund balance. Restricted funds will be considered second, committed funds third, and assigned funds fourth when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Use of Estimates

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

Note 2 - Legal Compliance

Deficit Fund Balance

Deficit fund balance existed in the following fund at December 31, 2023:

Nonmajor governmental funds	
Airport Taxilane Reconstruction	$ 20,505
Airport Runway Extension	10,186

No formal action is required or anticipated regarding the deficits. The deficits are expected to be eliminated in future years through grant revenues, transfers or contributions from other funds.

Note 3 - Cash and Investments

Cash and investments consist of the following at December 31, 2023:

	Carrying Value
Cash	
Checking and savings	$ 750,781
Other and cash on hand	1,250
Minnesota Municipal Money Market Fund	7,317,312
Investments	
US Government Fixed Income	4,878,297
Total	$ 12,947,640

Cash and investments are included in the basic financial statements as follows:

Cash and investments - Governmental funds	$ 8,139,740
Cash and investments - Proprietary funds	4,350,329
Restricted cash - Proprietary funds	457,571
	$ 12,947,640

As of December 31, 2023 the City has the following investment maturities:

Investment Type	Fair Value	Less than 1 year	1-5 years
US Government Fixed Income	$ 4,878,297	$ -	$ 4,878,297

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2023, the City's bank balances were covered by insurance or collateral pledged and held in the City's name.

Custodial Credit Risk – Investments

The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. Investment pools are not subject to custodial credit risk categorization, as they are not evidenced by securities. The pool does not have a published credit quality rating.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk

State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023, the City had approximately $577,000, in excess of FDIC-insured limits.

Note 4 - Capital Assets

Capital assets activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 515,820	$ -	$ -	$ 515,820
Construction in progress	9,204,090	1,265,627	-	10,469,717
Total capital assets, not being depreciated	9,719,910	1,265,627	-	10,985,537
Capital assets, being depreciated/amortized				
Buildings	5,139,518	-	-	5,139,518
Improvements other than buildings	4,490,436	279,979	-	4,770,415
Machinery and equipment	8,526,533	429,663	64,200	8,891,996
Infrastructure	17,646,756	-	-	17,646,756
Right-to-use leased property	9,374	-	-	9,374
Total capital assets, being depreciated/amortized	35,812,617	709,642	64,200	36,458,059
Less accumulated depreciation/amortization for				
Buildings	2,968,415	101,359	-	3,069,774
Improvements other than buildings	3,085,421	134,998	-	3,220,419
Machinery and equipment	5,617,992	535,087	64,200	6,088,879
Infrastructure	5,378,531	548,902	-	5,927,433
Right-to-use leased property	2,733	2,733	-	5,466
Total accumulated depreciation/amortization	17,053,092	1,323,079	64,200	18,311,971
Total capital assets, being depreciated/amortized, net	18,759,525	(613,437)	-	18,146,088
Governmental Activities Capital Assets, Net	$ 28,479,435	$ 652,190	$ -	$ 29,131,625

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 187,412	$ -	$ -	$ 187,412
Capital assets, being depreciated/amortized				
Buildings	18,300,509	-	-	18,300,509
Improvements other than buildings	14,908,588	-	-	14,908,588
Machinery and equipment	1,211,266	277,314	-	1,488,580
Right-to-use leased property	3,200	7,269	3,200	7,269
Total capital assets, being depreciated/amortized	34,423,563	284,583	3,200	34,704,946
Less accumulated depreciation for				
Buildings	1,392,669	368,848	-	1,761,517
Improvements other than buildings	8,431,637	236,365	-	8,668,002
Machinery and equipment	805,597	60,295	-	865,892
Right-to-use leased property	2,177	1,574	3,200	551
Total accumulated depreciation/amortization	10,632,080	667,082	3,200	11,295,962
Total capital assets, being depreciated/amortized, net	23,791,483	(382,499)	-	23,408,984
Business-Type Activities Capital Assets, Net	$ 23,978,895	$ (382,499)	$ -	$ 23,596,396

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

Governmental Activities	
General government	$ 28,670
Public safety	50,106
Public works	532,067
Culture and recreation	149,963
Airport	153,952
Transit	39,216
Other	369,105
Total depreciation/amortization expense - governmental activities	$ 1,323,079
Business-Type Activities	
Water	$ 550,087
Sewer	104,232
Liquor	12,763
Total depreciation/amortization expense - business-type activities	$ 667,082

Note 5 - Interfund Transfers, Receivables, and Payables

Interfund transfers were completed for the following reasons during 2023:

	Transfer Out							
	General	Other Governmental	Internal Service	Water	Sewer	Liquor	Refuse Collection	Total
Transfer in								
General	$ -	$ 274,276	$ 3,600	$ 111,366	$ 82,808	$ 52,300	$ 22,000	$ 546,350
2022A G.O. Bonds	62,604	-	-	-	-	-	-	62,604
Internal Service	12,000	-	-	-	-	-	-	12,000
Other Governmental	530,192	-	-	-	-	-	-	530,192
Total	$ 604,796	$ 274,276	$ 3,600	$ 111,366	$ 82,808	$ 52,300	$ 22,000	$ 1,151,146

Transfers are made for funding various projects and meeting debt service payments.

During the year ended December 31, 2023, interfund advances were made from the general fund to the airport runway extension fund and airport taxilane reconstruction fund in order to fund construction project expenditures made prior to receiving grant funds. These advances will be repaid once grants funds are received.

Advances due from other funds	
General	$ 480,000

Advances due to other funds	
Airport Runway Extension	$ 300,000
Airport Taxilane Reconstruction	180,000
Total	$ 480,000

Note 6 - Leases

Leases Receivable

The City has accrued a receivable for five land and building leases. The remaining receivable for the lease was $105,897 for the year ended December 31, 2023. Deferred inflows related to these leases were $101,647 as of December 31, 2023. Interest revenue recognized on these leases was $3,467 for the year ended December 31, 2023. Principal receipts of $20,837 were recognized during the fiscal year. The interest rate on the leases is 3.03%. Final receipt is expected in fiscal year 2029.

Leases Payable

During the prior years and 2023, the City entered into various lease agreements as lessee for the acquisition and use of office equipment. The City is required to make principal and interest payments totaling approximately $3,899 to $777 annually through the year ending December 31, 2028. The leases have an interest rate of 3.03%.

The future principal and interest lease payments as of December 31, 2023, were as follows:

Years Ending	Governmental Activities		Business-Type Activities	
June 30,	Principal	Interest	Principal	Interest
2024	$ 2,260	$ 84	$ 1,377	$ 178
2025	1,830	26	1,420	135
2026	-	-	1,464	92
2027	-	-	1,509	46
2028	-	-	771	6
	$ 4,090	$ 110	$ 6,541	$ 457

Note 7 - Long-Term Debt

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2023, was as follows:

	Beginning Balance (as Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. bonds and notes	$ 5,324,000	$ -	$ 801,000	$ 4,523,000	$ 309,000
G.O. improvement bonds	1,615,000	-	125,000	1,490,000	595,000
Direct borrowings	104,872	-	45,630	59,242	29,140
Leases Payable	6,760	-	2,670	4,090	2,260
Compensated absences	258,456	202,093	252,954	207,595	69,198
Total governmental activities long-term liabilities	$ 7,309,088	$ 202,093	$ 1,227,254	$ 6,283,927	$ 1,004,598
Business-Type Activities					
MN Public Facilities Authority	$ 5,232,000	$ -	$ 192,000	$ 5,040,000	$ 194,000
Leases Payable	1,192	7,269	1,920	6,541	1,377
Total business-type activities long-term liabilities	$ 5,233,192	$ 7,269	$ 193,920	$ 5,046,541	$ 195,377

Governmental Activities

General Obligation Bonds

The following general obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City and are payable through property tax levies through the various debt service funds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
G.O. Refunding Bonds of 2013A	$ 2,860,000	2.0 - 2.5%	05/16/13	02/01/29	$ 875,000
G.O. Refunding Bonds of 2016A	2,875,000	2.0 - 2.3%	11/17/16	02/01/32	610,000
G.O. Refunding Bonds of 2020A	1,825,000	1.58%	03/19/20	02/01/29	798,000
G.O. Bonds of 2022A	2,240,000	3.0 - 4.0%	07/14/22	02/01/38	2,240,000
Total general obligation bonds and notes					$ 4,523,000

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily through special assessments against properties benefited by improvements, from net revenues of the sewer, water and storm sewer systems which are owned and operated by the City and from property taxes levied and collected through the various debt service funds. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
Paid from special assessments and tax revenues					
G.O. Improvement Bonds of 2017A	$ 2,090,000	3.00%	05/25/17	02/01/33	$ 1,490,000

Direct Borrowings

The direct borrowings in the governmental funds are for the purchase of a wheel loader. Payments are made through the general fund. Total cost for the wheel loader is $145,855 with accumulated depreciation at year-end of $29,416.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
CapFirst Equipment Finance, Inc. - Wheel Loader	145,855	3.29%	01/15/21	1/15/2025	$ 59,242

The annual service requirements to maturity for direct borrowings at December 31, 2023 are as follows:

Years Ending December 31,	Direct Borrowings Principal	Direct Borrowings Interest
2024	$ 29,140	$ 1,950
2025	30,102	991
	$ 59,242	$ 2,941

Business-Type Activities

The following bond was issued to finance improvements to the sewer and water utility system. It will be retired by user charges and is backed by the full faith and credit of the City. Payments are made from the water fund.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
MN Public Facilities Authority	$ 5,968,904	1.10%	08/08/17	08/20/43	$ 5,040,000

The annual service requirements to maturity for all bonded debt outstanding at December 31, 2023 are as follows:

Years Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	$ 904,000	$ 160,984	$ 194,000	$ 55,591
2025	818,000	142,312	196,000	53,451
2026	600,000	125,623	198,000	51,290
2027	517,000	111,578	200,000	49,106
2028	506,000	98,229	202,000	46,900
2029 - 2033	1,848,000	307,461	1,046,000	200,559
2034 - 2038	820,000	84,400	1,105,000	141,559
2039 - 2043	-	-	1,168,000	79,262
2044 - 2047	-	-	731,000	16,181
	$ 6,013,000	$ 1,030,587	$ 5,040,000	$ 693,899

Leases

Leases payable consists of lease liabilities as described in Note 6. Leases payable of the governmental activities are paid from the general fund. Leases payable of the business-type activities are paid from the water fund.

Compensated Absences

Vacation and comp time are accrued for as compensated absences in the compensated absences fund. Compensated absences are considered long-term for reporting purposes.

Sick pay is earned and up to 800 hours may be accumulated by City employees. Upon retirement from employment, an employee with thirty (30) or more years of service will receive 60% of his or her accumulated sick leave and a retiring employee with less than thirty (30) years of service will receive 50% of his or her accumulated sick leave. In addition, any employee leaving employment prior to retirement in good standing and has had at least ten (10) years of continuous service and has accumulated at least 500 hours of sick leave will receive accumulated sick leave in the following amounts: 10 years of service receives 30%; 15 years of service receives 35%; 20 years of service receives 40%; 25 years of service receives 45%; 30 years of service receives 50%.

Conduit Debt

From time to time, the City has issued Revenue Bonds and Notes to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2023, there were three revenue bonds outstanding, with an aggregate principal amount payable of approximately $19,511,800.

Tax Increment Financing (TIF) Districts

The City has four active TIF Districts. For each of these, the City has entered into an agreement with the developer of the TIF District. Under each agreement, a Tax Increment Note is issued to aid in financing a project in accordance with Minnesota state statutes. After Note issuance, annual tax increments received by the City are paid to the developer to cover principal and interest payments of the associated Tax Increment Note. The developer bears the risk that increments collected over the life of the TIF will be less than sufficient to cover debt service requirements and the City bears responsibility to cover any shortfall. Accordingly, the Notes are not reported as liabilities in the accompanying financial statements.

For the year ended December 31, 2023, the City made $101,853 of tax increment payments to developers.

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 3% of the estimated market value. The legal debt limit as of December 31, 2023, was $10,190,205.

Note 8 - Other Post-Employment Benefits

A. Plan Description

The City of Morris other post-employment benefits plan is a defined benefit OPEB plan that provides a single-employer defined benefit health care plan to eligible retirees. This plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. Medical coverage is administrated by Midwest Health Benefits. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

Eligible participants and their dependents have access to other post-employment benefits of blended medical premiums of $750 for single coverage and $1,956 for family coverage. The implicit rate subsidy is only until Medicare eligibility.

C. Employees Covered by Benefit Terms

At the valuation date of December 31, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3
Active Employees Electing Coverage	26
	29

D. Total OPEB Liability

The City's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021.

E. Actuarial Assumptions

The total OPEB liability in the December 31, 2021, actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

For general employees, the mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

For police and fire employees, the mortality rates were based on the Pub-2010 Public safety mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in the December 31, 2021, measurements were based on the results of an actuarial experience study as of July 1, 2021.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

F. Changes in the Total OPEB Liability

Balance at January 1, 2023	$ 264,877
Changes from the Prior Year:	
Service Cost	18,629
Interest Cost	4,960
Differences between Expected and Actual Experience	(108,413)
Assumption Changes	(15,164)
Benefit Payments	(27,932)
Net Change	(127,920)
Balance at December 31, 2023	$ 136,957

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount Rate	3.05%	4.05%	5.05%
Total OPEB Liability	$ 143,536	$ 136,957	$ 130,845

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total OPEB Liability	$ 128,274	$ 136,957	$ 146,987

H. OPEB Expense

For the year ended December 31, 2023, the City recognized OPEB expense of $(99,988).

Note 9 - Defined Benefit Pension Plans

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). Qualified employees are also covered under a single-employer defined benefit pension plan of the Morris Fire Relief Association.

For the year ended December 31, 2023, the City reported its proportionate share of net pension assets, net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense (income) for each of the plans as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA - General Employees Fund	$ -	$ 347,330	$ 1,364,422	$ 446,530	$ 31,976
PERA - Police and Fire Fund	-	930,956	105,339	1,405,940	(242,100)
Fire Relief Association	146,085	101,396	-	2,055	145,519
Total all plans	$ 146,085	$ 1,379,682	$ 1,469,761	$ 1,854,525	$ (64,605)

A. Plan Descriptions

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

3. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

4. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $143,147. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were $0. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of $1,364,422 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $37,653.

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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0244 percent at the end of the measurement period and 0.0246 percent for the beginning of the period.

City's proportionate share of the net pension liability	$ 1,364,422
State of Minnesota's proportionate share of the net pension liability associated with the City	37,653
Total	$ 1,402,075

For the year ended December 31, 2023, the City recognized pension expense of $31,976 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 Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 44,896	$ 9,476
Changes in actuarial assumptions	222,691	373,976
Net collective difference between projected and actual investment earnings	-	51,197
Changes in proportion	7,495	11,881
Contributions paid to PERA subsequent to the measurement date	72,248	-
Total	$ 347,330	$ 446,530

The $72,248 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2024	$ 37,781
2025	(208,957)
2026	29,329
2027	(29,601)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of $105,339 for its proportionate share of the Police and Fire Fund's net pension liability. 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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0061 percent at the end of the measurement period and 0.0391 percent for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of $9 million in direct state aid that does meet the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of net pension liability associated with the City totaled $4,279.

City's proportionate share of the net pension liability	$ 105,339
State of Minnesota's proportionate share of the net pension liability associated with the City	4,279
Total	$ 109,618

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense (grant revenue) of ($242,100) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $258 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in fire state aid. The City also recognized $549 for the year ended December 31, 2023, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the Police and Fire 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	$ 95,880	$ -
Changes in actuarial assumptions	776,716	152,668
Net collective difference between projected and actual investment earnings	44,332	-
Changes in proportion	14,028	1,253,272
Total	$ 930,956	$ 1,405,940

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2024	$ (62,190)
2025	(84,969)
2026	63,257
2027	(125,608)
2028	(265,474)

3. Total Pension Expense

The total pension expense (grant revenue) for all plans recognized by the City for the year ended December 31, 2023, was ($210,124).

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100.00%	

F. Actuarial Methods and 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.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan 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 Plan was 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 7.0 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 224 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund
Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.40 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2023 was 7.00 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 positions of the General Employees and Police and Fire 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.

H. Pension Liability Sensitivity

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

Sensitivity Analysis

Net Pension Liability at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	$ 2,413,770	6.00%	$ 209,005
Current Discount Rate	7.00%	1,364,422	7.00%	105,339
1% Higher	8.00%	501,291	8.00%	20,112

I. Pension Plan Fiduciary Net Position

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

Single Employer Defined Benefit Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Morris Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Morris Fire Department per Minnesota State Statutes. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at City Hall or by calling (320) 589-3141.

B. Benefits Provided

Volunteer firefighters of the City are members of the Morris Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached age 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Members Covered by Benefit Terms

At December 31, 2022, the following members were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	2
Active members	31
	33

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of $1,000 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Investment rate of return	6.50 percent
Mortality	Healthy Pre-retirement: Pub-2010 Public Safety Employee mortality tables projected with mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 0.98.
	Healthy Post-retirement: Pub-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 0.98.
	Disabled: Pub-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2020. Male rates are adjusted by a factor of 1.05.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percentage point.

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic equity	52.00%	4.10%
International equity	30.00%	4.65%
Fixed income	10.00%	1.05%
Real estate and alternatives	1.00%	3.54%
Cash and equivalents	7.00%	-0.45%

Discount rate: The discount rate used to measure the total pension liability was 6.5%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset 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. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at January 1, 2022, plan year	$ 545,057	$ 836,661	$ (291,604)
Changes from the Prior Year:			
Service Cost	28,078	-	28,078
Interest Cost	36,224	-	36,224
Contributions - State and Local	-	48,513	(48,513)
Contributions - Donations and Other Income		577	(577)
Net investment income	-	(119,395)	119,395
Changes in benefit terms	10,912	-	10,912
Benefit Payments	(31,683)	(31,683)	-
Net Changes	43,531	(101,988)	145,519
Balances at December 31, 2022, plan year	$ 588,588	$ 734,673	$ (146,085)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.5%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	$ (118,492)	$ (146,085)	$ (172,753)

Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2023, the City recognized pension expense of $28,038. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ -	$ 2,055
Changes of assumptions	6,642	-
Net difference between projected and actual investment earnings	93,754	-
Contributions to the plan subsequent to the measurement date	1,000	-
	$ 101,396	$ 2,055

The $1,000 reported as deferred outflows of resources related to pensions resulting from 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 of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2024	$ 8,039
2025	25,503
2026	26,998
2027	35,338
2028	531
Thereafter	1,932

Note 10 - Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

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

Total contributions made by the City during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
1,239	1,239	5%	5%	5%

Note 11 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not act in a trustee capacity for the deferred compensation plan, nor does the City hold any control or ability to direct use or exchange of the assets. Accordingly, the plan is not reported in the City’s financial statements.

Note 12 - Fund Balances

The City classified fund balances within the governmental funds as follows at December 31, 2023:

	General	2022A G.O. Bonds	Other Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventories	$ 13,410	$ -	$ -	$ 13,410
Prepaid items	121,420	-	12,724	134,144
	134,830	-	12,724	147,554
Restricted				
Debt service	-	160,247	1,767,902	1,928,149
Capital projects	-	-	176,174	176,174
Library	-	-	6,661	6,661
Economic development	-	-	379,443	379,443
Public safety	-	-	213,393	213,393
Stormwater administration	-	-	130,116	130,116
Rural energy	-	-	101,379	101,379
Airport grant	-	-	80,626	80,626
Lodging tax	-	-	288,343	288,343
LCCMR grant	-	-	49,331	49,331
WCI grant	-	-	7,102	7,102
	-	160,247	3,200,470	3,360,717
Committed				
Working capital	1,684,475	-	-	1,684,475
Unassigned	3,505,110	-	(30,691)	3,474,419
Total fund balances	$ 5,324,415	$ 160,247	$ 3,182,503	$ 8,667,165

Note 13 - Risk Management

The City maintains its general property, automobile, workmen's compensation and liability coverage through the League of Minnesota Cities Insurance Trust. The insurance coverage of this trust is considered to be adequate to cover unexpected claims against the City. The City retains the responsibility to cover any settlements exceeding the specific coverage. There was no reduction in coverage from the prior year and settlements have not exceeded insurance coverage in the past three years.

Note 14 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Management does not anticipate any significant losses that would not be covered by insurance.

Note 15 - Construction Commitments

As of December 31, 2023, the City has completed to date approximately $10,469,717 of construction costs and has approximately $3,079,000 in construction commitments remaining for the airport runway extension project, the 2022 streets and utility improvements project, and other various capital improvement projects of the City. These projects are expected to be completed in 2024.

Note 16 - Tax Abatements

The Council provides tax abatements through one program, Property Tax Abatement Property and the installation of related Site Improvements. For the fiscal year ended December 31, 2023, the City had $19,858 in abatements associated with this program.

Note 17 - Correction of Error

During the year ended December 31, 2022, it was noted that the City incorrectly reported Tax Increment Financing (TIF) Notes as long-term liabilities of the City. As a result, previously reported long-term liabilities and net position of the governmental activities were overstated by $1,903,666. A restatement to beginning net position as of January 1, 2023, is as follows:

	Governmental Activities
Net Position, December 31, 2022, as previously reported	$ 27,362,439
Elimination of Tax Increment Notes as of December 31, 2022	1,903,666
Net Position, January 1, 2023, as restated	$ 29,266,105

Required Supplementary Information
December 31, 2023

City of Morris, Minnesota

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	2023	2022	2021	2020	2019	2018
Service Cost	$ 18,629	$ 20,938	$ 17,666	$ 9,414	$ 14,081	$ 12,116
Interest	4,960	5,380	6,902	6,455	7,096	7,789
Differences between Expected and actual experience	(108,413)	6,144	-	52,332	-	-
Changes of Assumptions	(15,164)	(5,315)	12,724	19,479	(40,227)	6,961
Benefit Payments	(27,932)	(20,670)	(24,431)	(13,432)	(19,896)	(17,878)
Net Change in Total OPEB Liability	(127,920)	6,477	12,861	74,248	(38,946)	8,988
Total OPEB Liability - Beginning	264,877	258,400	245,539	171,291	210,237	201,249
Total OPEB Liability - Ending	$ 136,957	$ 264,877	$ 258,400	$ 245,539	$ 171,291	$ 210,237
Covered-Employee Payroll	$ 1,965,836	$ 2,086,653	$ 2,107,130	$ 2,014,021	$ 1,928,861	$ 1,738,164
Total OPEB Liability as A Percentage of covered-employee payroll	6.97%	12.69%	12.26%	12.19%	8.88%	12.10%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Changes in the City's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Schedule of Employer’s Proportionate Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees	6/30/2023	0.0244%	$ 1,364,422	$ 37,653	$ 1,402,075	$ 1,828,525	74.6%	83.1%
General Employees	6/30/2022	0.0246%	1,948,328	57,297	2,005,625	1,732,370	112.5%	76.7%
General Employees	6/30/2021	0.0246%	1,050,530	32,016	1,082,546	1,663,293	63.2%	97.9%
General Employees	6/30/2020	0.0241%	1,444,905	44,658	1,489,563	1,614,400	89.5%	79.1%
General Employees	6/30/2019	0.0231%	1,277,147	39,665	1,316,812	1,506,987	84.7%	80.2%
General Employees	6/30/2018	0.0239%	1,325,874	43,343	1,369,217	1,505,417	88.1%	79.5%
General Employees	6/30/2017	0.0241%	1,538,528	19,313	1,557,841	1,483,833	103.7%	75.9%
General Employees	6/30/2016	0.0255%	2,070,474	27,007	2,097,481	1,472,296	140.6%	68.9%
General Employees	6/30/2015	0.0257%	1,331,907	N/A	1,331,907	1,426,159	93.4%	78.2%
Police and Fire	6/30/2023	0.0061%	105,339	4,279	109,618	74,684	141.0%	86.5%
Police and Fire	6/30/2022	0.0391%	1,701,478	74,315	1,775,793	429,507	396.1%	70.5%
Police and Fire	6/30/2021	0.0381%	294,092	13,250	307,342	417,650	70.4%	93.7%
Police and Fire	6/30/2020	0.0462%	608,965	14,350	623,315	494,100	123.2%	87.2%
Police and Fire	6/30/2019	0.0437%	465,231	N/A	465,231	441,991	105.3%	89.3%
Police and Fire	6/30/2018	0.0455%	484,981	N/A	484,981	444,379	109.1%	88.8%
Police and Fire	6/30/2017	0.0480%	647,903	N/A	647,903	453,262	142.9%	85.4%
Police and Fire	6/30/2016	0.0500%	2,006,587	N/A	2,006,587	440,611	455.4%	63.9%
Police and Fire	6/30/2015	0.0540%	613,566	N/A	613,566	456,341	134.5%	86.6%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
General Employees	12/31/2023	$ 143,147	$ 143,147	$ -	$ 1,908,627	7.5%
General Employees	12/31/2022	138,398	138,398	-	1,845,307	7.5%
General Employees	12/31/2021	137,468	137,468	-	1,832,907	7.5%
General Employees	12/31/2020	135,754	135,754	-	1,810,053	7.5%
General Employees	12/31/2019	125,196	125,196	-	1,669,280	7.5%
General Employees	12/31/2018	123,266	123,266	-	1,643,542	7.5%
General Employees	12/31/2017	116,244	116,244	-	1,549,920	7.5%
General Employees	12/31/2016	118,272	118,272	-	1,576,960	7.5%
General Employees	12/31/2015	117,553	117,553	-	1,567,373	7.5%
Police and Fire	12/31/2023	-	$ -	-	-	-
Police and Fire	12/31/2022	55,962	55,962	-	316,169	17.7%
Police and Fire	12/31/2021	79,716	79,716	-	450,373	17.7%
Police and Fire	12/31/2020	85,724	85,724	-	484,316	17.7%
Police and Fire	12/31/2019	84,963	84,963	-	501,257	17.0%
Police and Fire	12/31/2018	77,764	77,764	-	480,022	16.2%
Police and Fire	12/31/2017	78,823	78,823	-	486,562	16.2%
Police and Fire	12/31/2016	76,344	76,344	-	502,888	15.2%
Police and Fire	12/31/2015	81,974	81,974	-	528,313	15.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

General Employees Fund

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 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.

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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

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

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- 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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and 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.

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.4 percent.

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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

2020 Changes
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2019 Changes
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2018 Changes
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions
- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years *

	2023	2022	2021	2020
Total Pension Liability				
Service Cost	$ 28,078	$ 26,282	$ 24,875	$ 24,328
Interest	36,224	34,982	33,662	29,833
Difference between expected and actual experience	-	(2,483)	-	-
Changes of assumption	-	2,611	6,041	-
Changes of benefit terms	10,912	20,321	-	-
Benefit payments, including refunds of member contributions	(31,683)	(57,250)	-	-
Net change in total pension liability	43,531	24,463	64,578	54,161
Beginning of year	545,057	520,594	456,016	401,855
End of year	$ 588,588	$ 545,057	$ 520,594	$ 456,016
Plan Fiduciary Net Position				
Contributions - state and local	$ 48,513	$ 47,969	$ 46,081	$ 44,355
Contributions - donations and other income	577	685	-	-
Net investment income	(119,395)	89,612	54,565	122,846
Benefit payments, including refunds of member contributions	(31,683)	(57,250)	-	-
Administrative expense	-	(2,380)	(8,720)	(6,090)
Net change in plan fiduciary net position	(101,988)	78,636	91,926	161,111
Beginning of year	836,661	758,025	666,099	504,988
End of year	$ 734,673	$ 836,661	$ 758,025	$ 666,099
Net Pension Liability (Asset)	$ (146,085)	$ (291,604)	$ (237,431)	$ (210,083)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	124.82%	153.50%	145.61%	146.07%
Covered Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

Schedule of Employer Contributions and Non-Employer Contributing Entities
Last 10 Fiscal Years *

	2023	2022	2021	2020
Employer				
Statutorily determined Contribution (SDC)	$ -	$ -	$ -	$ -
Contributions made	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Non-Employer				
2% aid	$ 48,513	$ 47,969	$ 46,081	$ 44,355

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

Supplementary Information
December 31, 2023

City of Morris, Minnesota

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 1,129,055	$ 1,767,902	$ 445,467	$ 3,342,424
Receivables				
Accounts	27,548	-	-	27,548
Delinquent property taxes	917	7,176	-	8,093
Special assessments	-	792,595	-	792,595
Intergovernmental	30,479	-	408,592	439,071
Prepaid items	12,724	-	-	12,724
Total assets	$ 1,200,723	$ 2,567,673	$ 854,059	$ 4,622,455
Liabilities				
Accounts payable	$ 6,528	$ -	$ 147,950	$ 154,478
Accrued salaries and wages	4,777	-	-	4,777
Due to other governmental units	9	-	-	9
Advances due to other funds	-	-	480,000	480,000
Total liabilities	11,314	-	627,950	639,264
Deferred Inflows of Resources				
Unavailable revenue-property taxes	917	7,176	-	8,093
Unavailable revenue-special assessments	-	792,595	-	792,595
Total deferred inflows of resources	917	799,771	-	800,688
Fund Balances				
Nonspendable	12,724	-	-	12,724
Restricted	1,175,768	1,767,902	256,800	3,200,470
Unassigned	-	-	(30,691)	(30,691)
Total fund balances	1,188,492	1,767,902	226,109	3,182,503
Total liabilities, deferred inflows of resources, and fund balances	$ 1,200,723	$ 2,567,673	$ 854,059	$ 4,622,455

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	$ 58,340	$ 437,945	$ -	$ 496,285
Tax increments	205,236	-	-	205,236
Special assessments	-	201,849	-	201,849
Intergovernmental revenue	698,878	-	666,020	1,364,898
Charges for service	67,323	-	-	67,323
Lodging tax	86,174	-	-	86,174
Contributions and donations	18,912	-	-	18,912
Interest earnings	27,472	51,356	14,383	93,211
Miscellaneous revenues	100,255	-	-	100,255
Total revenues	1,262,590	691,150	680,403	2,634,143
Expenditures				
Current				
Culture and recreation	405,629	-	-	405,629
Airport	-	-	54,872	54,872
Economic development	101,853	-	-	101,853
Other	176,468	-	-	176,468
Capital outlay	41,503	-	928,175	969,678
Debt service				
Principal	948	926,000	-	926,948
Interest and fees	1,706	101,937	7,788	111,431
Total expenditures	728,107	1,027,937	990,835	2,746,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	534,483	(336,787)	(310,432)	(112,736)
Other Financing Sources (Uses)				
Transfers from other funds	124,230	210,420	195,542	530,192
Transfers to other funds	(274,276)	-	-	(274,276)
Total other financing sources (uses)	(150,046)	210,420	195,542	255,916
Net Change in Fund Balances	384,437	(126,367)	(114,890)	143,180
Fund Balance - Beginning	804,055	1,894,269	340,999	3,039,323
Fund Balance - Ending	$ 1,188,492	$ 1,767,902	$ 226,109	$ 3,182,503

	Library	Public Safety Aid	Rural Energy Prize	WCI Grant Morris Strategic PL	EDA Tax Increment District #4	EDA Tax Increment District #8
Assets						
Cash and cash equivalents	$ 13,625	$ 213,393	$ 101,379	$ 7,102	$ 32,368	$ 52,608
Receivables						
Accounts	-	-	-	-	-	-
Delinquent property taxes	917	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Prepaid items	10,327	-	-	-	-	-
Total assets	$ 24,869	$ 213,393	$ 101,379	$ 7,102	$ 32,368	$ 52,608
Liabilities						
Accounts payable	$ 3,552	$ -	$ -	$ -	$ -	$ -
Accrued salaries and wages	3,403	-	-	-	-	-
Due to other governmental units	9	-	-	-	-	-
Total liabilities	6,964	-	-	-	-	-
Deferred Inflows of Resources						
Unavailable revenue-property taxes	917	-	-	-	-	-
Fund Balances						
Nonspendable	10,327	-	-	-	-	-
Restricted	6,661	213,393	101,379	7,102	32,368	52,608
Total fund balances	16,988	213,393	101,379	7,102	32,368	52,608
Total liabilities, deferred inflows of resources, and fund balances	$ 24,869	$ 213,393	$ 101,379	$ 7,102	$ 32,368	$ 52,608

	EDA Tax Increment District #15	EDA Tax Increment District #16	Stormwater Admin	Lodging Tax	LCCMR Grant	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	$ 275,891	$ 18,576	$ 125,900	$ 268,513	$ 19,700	$ 1,129,055
Receivables						
Accounts	-	-	5,750	21,798	-	27,548
Delinquent property taxes	-	-	-	-	-	917
Intergovernmental	-	-	-	-	30,479	30,479
Prepaid items	-	-	1,546	-	851	12,724
Total assets	$ 275,891	$ 18,576	$ 133,196	$ 290,311	$ 51,030	$ 1,200,723
Liabilities						
Accounts payable	$ -	$ -	$ 1,008	$ 1,968	$ -	$ 6,528
Accrued salaries and wages	-	-	526	-	848	4,777
Due to other governmental units	-	-	-	-	-	9
Total liabilities	-	-	1,534	1,968	848	11,314
Deferred Inflows of Resources						
Unavailable revenue-property taxes	-	-	-	-	-	917
Fund Balances						
Nonspendable	-	-	1,546	-	851	12,724
Restricted	275,891	18,576	130,116	288,343	49,331	1,175,768
Total fund balances	275,891	18,576	131,662	288,343	50,182	1,188,492
Total liabilities, deferred inflows of resources, and fund balances	$ 275,891	$ 18,576	$ 133,196	$ 290,311	$ 51,030	$ 1,200,723

City of Morris, Minnesota

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds

Year Ended December 31, 2023

	Library	Public Safety Aid	Rural Energy Prize	WCI Grant Morris Strategic PL	EDA Tax Increment District #4	EDA Tax Increment District #8	EDA Tax Increment District #15
Revenues							
Property taxes	$ 58,340	$ -	$ -	$ -	$ -	$ -	$ -
Tax increments	-	-	-	-	18,302	65,193	104,499
Intergovernmental revenue	302,437	212,806	-	10,000	-	-	-
Charges for service	1,124	-	-	-	-	-	-
Lodging tax	-	-	-	-	-	-	-
Contributions and donations	18,912	-	-	-	-	-	-
Interest earnings	-	587	1,379	151	1,022	1,355	8,402
Miscellaneous revenues	255	-	100,000	-	-	-	-
Total revenues	381,068	213,393	101,379	10,151	19,324	66,548	112,901
Expenditures							
Current							
Culture and recreation	405,629	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	89,304
Other	-	-	-	3,049	-	-	-
Capital outlay	41,503	-	-	-	-	-	-
Debt service							
Principal	948	-	-	-	-	-	-
Interest and fees	1,706	-	-	-	-	-	-
Total expenditures	449,786	-	-	3,049	-	-	89,304
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,718)	213,393	101,379	7,102	19,324	66,548	23,597
Other Financing Sources (Uses)							
Transfers from other funds	45,380	-	-	-	-	-	78,850
Transfers to other funds	-	-	-	-	(16,000)	(62,850)	(78,850)
Total other financing sources (uses)	45,380	-	-	-	(16,000)	(62,850)	-
Net Change in Fund Balances	(23,338)	213,393	101,379	7,102	3,324	3,698	23,597
Fund Balance - Beginning	40,326	-	-	-	29,044	48,910	252,294
Fund Balance - Ending	$ 16,988	$ 213,393	$ 101,379	$ 7,102	$ 32,368	$ 52,608	$ 275,891

	EDA Tax Increment District #16	Stormwater Admin	Lodging Tax	LCCMR Grant	WCI Grant	CARES Act Grant	Total Nonmajor Special Revenue Funds
Revenues							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,340
Tax increments	17,242	-	-	-	-	-	205,236
Intergovernmental revenue	-	-	-	61,785	-	111,850	698,878
Charges for service	-	66,199	-	-	-	-	67,323
Lodging tax	-	-	86,174	-	-	-	86,174
Contributions and donations	-	-	-	-	-	-	18,912
Interest earnings	456	4,036	8,863	1,221	-	-	27,472
Miscellaneous revenues	-	-	-	-	-	-	100,255
Total revenues	17,698	70,235	95,037	63,006	-	111,850	1,262,590
Expenditures							
Current							
Culture and recreation	-	-	-	-	-	-	405,629
Economic development	12,549	-	-	-	-	-	101,853
Other	-	50,128	45,293	64,819	4,955	8,224	176,468
Capital outlay	-	-	-	-	-	-	41,503
Debt service							
Principal	-	-	-	-	-	-	948
Interest and fees	-	-	-	-	-	-	1,706
Total expenditures	12,549	50,128	45,293	64,819	4,955	8,224	728,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,149	20,107	49,744	(1,813)	(4,955)	103,626	534,483
Other Financing Sources (Uses)							
Transfers from other funds	-	-	-	-	-	-	124,230
Transfers to other funds	-	-	-	-	-	(116,576)	(274,276)
Total other financing sources (uses)	-	-	-	-	-	(116,576)	(150,046)
Net Change in Fund Balances	5,149	20,107	49,744	(1,813)	(4,955)	(12,950)	384,437
Fund Balance - Beginning	13,427	111,555	238,599	51,995	4,955	12,950	804,055
Fund Balance - Ending	$ 18,576	$ 131,662	$ 288,343	$ 50,182	$ -	$ -	$ 1,188,492

	2013A G.O. Improvement Bonds	2016A G.O. Improvement Bonds	2017A G.O. Improvement Bonds	2020A G.O. Refunding Bonds	Total Nonmajor Debt Service Funds
Assets					
Cash and cash equivalents	$ 325,455	$ 742,136	$ 536,348	$ 163,963	$ 1,767,902
Receivables					
Delinquent property taxes	1,008	1,966	1,247	2,955	7,176
Special assessments	282,398	103,503	309,717	96,977	792,595
Total assets	$ 608,861	$ 847,605	$ 847,312	$ 263,895	$ 2,567,673
Deferred Inflows of Resources					
Unavailable revenue-property taxes	$ 1,008	$ 1,966	$ 1,247	$ 2,955	$ 7,176
Unavailable revenue-special assessments	282,399	103,503	309,717	96,976	792,595
Total deferred inflows of resources	283,407	105,469	310,964	99,931	799,771
Fund Balances					
Restricted	325,454	742,136	536,348	163,964	1,767,902
Total liabilities, deferred inflows of resources, and fund balances	$ 608,861	$ 847,605	$ 847,312	$ 263,895	$ 2,567,673

	2013A G.O. Refunding Bonds	2016A G.O. Improvement Bonds	2017A G.O. Improvement Bonds	2020A G.O. Refunding Bonds	Total Nonmajor Debt Service Funds
Revenues					
Property taxes	$ 64,220	$ 107,428	$ 79,145	$ 187,152	$ 437,945
Special assessments	49,093	63,468	56,626	32,662	201,849
Interest earnings	8,607	22,440	16,619	3,690	51,356
Total revenues	121,920	193,336	152,390	223,504	691,150
Expenditures					
Debt service					
Principal	185,000	395,000	125,000	221,000	926,000
Interest and fees	21,852	17,480	47,125	15,480	101,937
Total expenditures	206,852	412,480	172,125	236,480	1,027,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,932)	(219,144)	(19,735)	(12,976)	(336,787)
Other Financing Sources (Uses)					
Transfers from other funds	88,565	87,850	11,356	22,649	210,420
Net Change in Fund Balances	3,633	(131,294)	(8,379)	9,673	(126,367)
Fund Balance - Beginning	321,821	873,430	544,727	154,291	1,894,269
Fund Balance - Ending	$ 325,454	$ 742,136	$ 536,348	$ 163,964	$ 1,767,902

	Airport Apron Expansion	Airport Taxilane Reconstruction	Airport Runway Extension	2022 Streets Project	Total Nonmajor Capital Project Funds
Assets					
Cash and cash equivalents	$ 82,250	$ 43,005	$ 27,332	$ 292,880	$ 445,467
Receivables					
Intergovernmental	-	146,110	262,482	-	408,592
Total assets	$ 82,250	$ 189,115	$ 289,814	$ 292,880	$ 854,059
Liabilities					
Accounts payable	$ 1,624	$ 29,620	$ -	$ 116,706	$ 147,950
Advances due to other funds	-	180,000	300,000	-	480,000
Total liabilities	1,624	209,620	300,000	116,706	627,950
Fund Balances					
Restricted	80,626	-	-	176,174	256,800
Unassigned	-	(20,505)	(10,186)	-	(30,691)
Total fund balances	80,626	(20,505)	(10,186)	176,174	226,109
Total liabilities, deferred inflows of resources, and fund balances	$ 82,250	$ 189,115	$ 289,814	$ 292,880	$ 854,059

	Airport Apron Expansion	Airport Taxilane Reconstruction	Airport Runway Extension	2022 Streets Project	Total Nonmajor Capital Project Funds
Revenues					
Intergovernmental revenue	$ 79,756	$ 504,308	$ 81,956	$ -	$ 666,020
Interest earnings	1,222	-	-	13,161	14,383
Total revenues	80,978	504,308	81,956	13,161	680,403
Expenditures					
Current					
Airport	54,872	-	-	-	54,872
Capital outlay	32,480	631,062	81,958	182,675	928,175
Debt service					
Interest and fees	-	2,293	5,495	-	7,788
Total expenditures	87,352	633,355	87,453	182,675	990,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,374)	(129,047)	(5,497)	(169,514)	(310,432)
Other Financing Sources (Uses)					
Transfers from other funds	87,000	108,542	-	-	195,542
Net Change in Fund Balances	80,626	(20,505)	(5,497)	(169,514)	(114,890)
Fund Balance (Deficit) - Beginning	-	-	(4,689)	345,688	340,999
Fund Balance (Deficit) - Ending	$ 80,626	$ (20,505)	$ (10,186)	$ 176,174	$ 226,109

	Central Garage Fund	Compensated Absences Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 365	$ 229,710	$ 230,075
Prepaid items	2,331	-	2,331
Total Current Assets	2,696	229,710	232,406
Capital Assets			
Improvements other than buildings	22,853	-	22,853
Machinery and equipment	107,773	-	107,773
Less accumulated depreciation	(44,773)	-	(44,773)
Net Capital Assets	85,853	-	85,853
Total Assets	88,549	229,710	318,259
Deferred Outflows of Resources			
Pension plan	10,246	-	10,246
Liabilities			
Current Liabilities			
Accounts payable	5,116	-	5,116
Salaries and wages payable	1,146	-	1,146
Compensated absences payable	-	69,198	69,198
Total current liabilities	6,262	69,198	75,460
Long-term Liabilities			
Compensated absences payable	-	138,397	138,397
Net pension liability	40,250	-	40,250
Total long-term liabilities	40,250	138,397	178,647
Total Liabilities	46,512	207,595	254,107
Deferred Inflows of Resources			
Pension plans	13,173	-	13,173
Net Position (Deficit)			
Investment in capital assets	85,853	-	85,853
Unrestricted	(46,743)	22,115	(24,628)
Total Net Position	$ 39,110	$ 22,115	$ 61,225

	Central Garage Fund	Compensated Absences Fund	Total
Operating Revenues:			
Charges for service	$ 186,021	$ 31,869	$ 217,890
Cost of sales	(72,189)	-	(72,189)
Total operating revenues	113,832	31,869	145,701
Operating Expenses:			
Other services and charges	101,482	20,879	122,361
Depreciation	7,043	-	7,043
Total operating expenses	108,525	20,879	129,404
Operating Income	5,307	10,990	16,297
Nonoperating Revenue:			
Interest income	-	8,940	8,940
Net income before transfers	5,307	19,930	25,237
Other Financing Sources (Uses)			
Transfer in	12,000	-	12,000
Transfer out	(3,600)	-	(3,600)
Total Other Financing Sources (Uses)	8,400	-	8,400
Change in net position	13,707	19,930	33,637
Net Position - beginning	25,403	2,185	27,588
Net Position - ending	$ 39,110	$ 22,115	$ 61,225

	Central Garage Fund	Compensated Absences Fund	Total
Operating Activities			
Receipts from interfund services provided	$ 186,021	$ 31,869	$ 217,890
Payments to vendors	(82,792)	-	(82,792)
Payments to employees	(101,454)	(71,740)	(173,194)
Net Cash from (used for) Operating Activities	1,775	(39,871)	(38,096)
Noncapital Financing Activity			
Transfers	8,400	-	8,400
Capital and Related Financing Activities			
Purchase of capital assets	(12,000)	-	(12,000)
Investing Activity			
Interest earnings	-	8,940	8,940
Net Change in Cash and Cash Equivalents	(1,825)	(30,931)	(32,756)
Cash and Cash Equivalents, Beginning of Year	2,190	260,641	262,831
Cash and Cash Equivalents, End of Year	$ 365	$ 229,710	$ 230,075
Reconciliation of Operating Income to Net Cash from (used for) Operating Activities			
Operating Income	$ 5,307	$ 10,990	$ 16,297
Adjustments to reconcile operating income from net cash from (used for) operating activities			
Depreciation	7,043	-	7,043
Changes in assets and liabilities			
Prepaid items	71	-	71
Net pension liability and related deferred inflows and outflows of resources	(7,666)	-	(7,666)
Accounts payable	(3,008)	-	(3,008)
Accrued wages payable	28	-	28
Accrued compensated absences	-	(50,861)	(50,861)
Net Cash from (used for) Operating Activities	$ 1,775	$ (39,871)	$ (38,096)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing	Pass Through Number	Expenditures		
Department of Defense					
Passed through Minnesota Military Affairs					
National Guard Military Operations and Maintenance Projects	12.401	Unknown			$ 461
Department of Homeland Security					
Passed through the Minnesota Department of Public Safety					
Disaster Grants - Public Assistance	97.036	Unknown			11,642
Department of Transportation					
Passed through the Minnesota Department of Transportation					
Airport Improvement Program	20.106	A7501-36	$ 81,958		
Airport Improvement Program	20.106	A7501-37	295,100		
Airport Improvement Program	20.106	A7501-39	71,989		
Total Airport Improvement Program				$ 449,047	
Passed through State of Minnesota					
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1051345	219,882		
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1054275	98,872		
Total Formula Grants for Rural Areas and Tribal Transit Program				318,754	
Total Department of Transportation					767,801
Department of Treasury					
Passed through the State of Minnesota					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown			111,850
Total Federal Financial Assistance					$ 891,754

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2023. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Other Reports
December 31, 2023

City of Morris, Minnesota

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
City of Morris, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morris (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 April 30, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. 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.

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
April 30, 2024

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Morris's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Morris's major federal program for the year ended December 31, 2023. The City of Morris's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Morris complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Morris and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City of Morris's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Morris's federal programs.

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Auditor's Responsibilities for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Morris's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Morris's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Morris's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Morris's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Morris's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
April 30, 2024

EideBailly

CPAs & BUSINESS ADVISORS

Report on *Minnesota Legal Compliance*

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris, Minnesota, 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 April 30, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

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.

Eide Bailly LLP

Fargo, North Dakota
April 30, 2024

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Airport Improvement Program	20.106

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2023-001 Preparation of Financial Statements, Including Proposed Journal Entries and Restatement Material Weakness

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, in addition to proposing related journal entries, including restatement. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing their financial statements and journal entries, including restatement.

Effect – The information in the financial statements could be inaccurate/incomplete.

Cause – City personnel do not attend the necessary training to stay informed of accounting principles generally accepted in the United States of America.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – *Minnesota Legal Compliance* Findings

None reported