

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 2, 2023

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF WORTHINGTON, MINNESOTA (Nobles County)

\$5,140,000* GENERAL OBLIGATION SALES TAX REVENUE BONDS, SERIES 2023A

PROPOSAL OPENING: November 13, 2023, 10:30 A.M., C.T.

CONSIDERATION: November 13, 2023, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,140,000* General Obligation Sales Tax Revenue Bonds, Series 2023A (the "Bonds") are being issued pursuant to Minnesota Session laws - 2019, 1st Special Session, Chapter 6, Article 6, Section 33 and Minnesota Statutes, Chapters 475, as amended, by the City of Worthington, Minnesota (the "City") to finance sales tax projects including reimbursement of expenses related to the City's Outdoor Aquatic Center Project. The Bonds will be general obligations of the City, for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: December 7, 2023

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$350,000	2029	\$450,000	2033	\$525,000
2026	395,000	2030	465,000	2034	550,000
2027	415,000	2031	485,000	2035	570,000
2028	430,000	2032	505,000		

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2024 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$5,078,320.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$102,800 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; Delete if this is a taxable deal and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF WORTHINGTON CITY COUNCIL

		<u>Term Expires</u>
Rick VonHoldt	Mayor	January 2027
Chad Cummings	Council Member	January 2025
Amy Ernst	Council Member	January 2025
Larry Janssen	Council Member	January 2027
Chris Kielblock	Council Member	January 2025
Alaina Kolpin	Council Member	January 2027

ADMINISTRATION

Steve Robinson, City Administrator

Debra Olsen, Finance Director

PROFESSIONAL SERVICES

WoodsFuller, City Counsel, Worthington, Minnesota

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Worthington, Minnesota (the "City") and the issuance of its \$5,140,000* General Obligation Sales Tax Revenue Bonds, Series 2023A (the "Bonds" or the "Series 2023A Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on November 13, 2023.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 7, 2023. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2024, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Session laws - 2019, 1st Special Session, Chapter 6, Article 6, Section 33 and Minnesota Statutes, Chapters 475, as amended, by the City, to finance sales tax projects including reimbursement of expenses related to the City's outdoor Aquatic Center Project.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$5,140,000</u>	
Total Sources		\$5,140,000
Uses		
Total Underwriter's Discount (1.200%)	\$61,680	
Costs of Issuance	40,500	
Deposit to Project Fund	<u>5,037,820</u>	
Total Uses		\$5,140,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City to which its full faith, credit and taxing powers are pledged. Principal and interest on the Bonds will be paid entirely from sale and use tax revenues equal to one half percent (0.5%) of the gross receipts arising from certain sales and uses within the City. In accordance with Minnesota Statutes, receipt of sales tax revenues will be sufficient to provide not less than 105% of the principal and interest on the Bonds.

Should the sales tax revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be offering for sale its General Obligation Improvement Bonds, Series 2023B (the "Concurrent Obligations" or the "Series 2023B Bonds"), which are scheduled to close on December 7, 2023.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future.

In the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds, may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2022 have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (sales tax revenue) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2020/21	2021/22	2022/23
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value	<u>\$1,070,832,709¹</u>
2022/23 Assessor's Estimated Market Value	
Real Estate	\$991,521,700
Personal Property	14,528,200
Total Valuation	<u>\$1,006,049,900</u>
2022/23 Net Tax Capacity	
Real Estate	\$11,837,248
Personal Property	232,028
Net Tax Capacity	\$12,069,276
Less: Captured Tax Increment Tax Capacity ²	(315,483)
Taxable Net Tax Capacity	<u>\$11,753,793</u>

2022/23 NET TAX CAPACITY BY CLASSIFICATION

	2022/23 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$4,576,933	37.92%
Agricultural	70,506	0.58%
Commercial/industrial	5,078,790	42.08%
Public utility	5,883	0.05%
Railroad operating property	59,364	0.49%
Non-homestead residential	2,022,838	16.76%
Commercial & residential seasonal/rec.	22,934	0.19%
Personal property	232,028	1.92%
Total	<u>\$12,069,276</u>	<u>100.00%</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 93.98% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,070,832,709.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2018/19	\$744,135,000	\$674,764,435	\$8,492,853	\$8,302,393	7.07%
2019/20	778,090,400	708,712,115	9,005,867	8,746,780	4.56%
2020/21	789,173,900	720,271,602	9,198,843	8,937,595	1.42%
2021/22	819,002,600	750,757,779	9,627,084	9,289,980	3.78%
2022/23	1,006,049,900	945,464,415	12,069,276	11,753,793	22.84%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Swift and Company	Industrial	\$722,478	5.99%
Avera McKennan	Commercial	359,956	2.98%
Bedford Industries	Industrial	221,400	1.83%
Minnesota Energy	Utility	172,267	1.43%
WCDJR Dealer Properties LLC	Commercial	170,128	1.41%
Intervet, Inc.	Industrial	124,610	1.03%
Wal-mart	Commercial	124,390	1.03%
FFS Holdings LLC	Commercial	109,906	0.91%
Meadow of Worthington LLC	Apartments	108,798	0.90%
Summer View Partners	Commercial	<u>108,562</u>	<u>0.90%</u>
Total		\$2,222,495	18.41%

City's Total 2022/23 Net Tax Capacity \$12,069,276

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Nobles County.

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by sales tax revenues (includes the Series 2023A Bonds)*	\$12,120,000
Total G.O. debt secured by special assessments and taxes (includes the Series 2023B Bonds)*	11,575,000
Total G.O. debt secured by taxes	2,740,000
Total G.O. debt secured by utility revenues	29,868,000
Total General Obligation Debt*	<u><u>\$56,303,000</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In addition to the Concurrent Obligations the City has no current plans for additional financing in the next 12 months.

¹ Outstanding debt is as of the dated date of the Bonds and Concurrent Obligations.

DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (is defined under Minnesota Statutes, Section 475.51, subd. 4) to mean the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Series 2023B Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and (9) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Series 2023A Bonds).

2022/23 Assessor's Estimated Market Value	\$1,006,049,900
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$30,181,497
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(2,740,000)</u>
Unused Debt Limit	<u><u>\$27,441,497</u></u>

City of Worthington, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Sales Tax Revenues
(As of 12/07/2023)

Sales Tax Revenue Bonds Series 2020A			Sales Tax Revenue Bonds Series 2023A							
Dated	11/12/2020		12/07/2023							
Amount	\$7,970,000		\$5,140,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	525,000	108,818	0	139,854	525,000	248,672	773,672	11,595,000	4.33%	2024
2025	535,000	98,218	350,000	207,723	885,000	305,940	1,190,940	10,710,000	11.63%	2025
2026	545,000	87,418	395,000	192,089	940,000	279,506	1,219,506	9,770,000	19.39%	2026
2027	560,000	76,368	415,000	175,489	975,000	251,856	1,226,856	8,795,000	27.43%	2027
2028	570,000	65,068	430,000	158,378	1,000,000	223,445	1,223,445	7,795,000	35.68%	2028
2029	580,000	53,568	450,000	140,558	1,030,000	194,125	1,224,125	6,765,000	44.18%	2029
2030	595,000	44,644	465,000	121,913	1,060,000	166,556	1,226,556	5,705,000	52.93%	2030
2031	600,000	38,070	485,000	102,316	1,085,000	140,386	1,225,386	4,620,000	61.88%	2031
2032	605,000	30,839	505,000	81,648	1,110,000	112,486	1,222,486	3,510,000	71.04%	2032
2033	615,000	22,906	525,000	59,886	1,140,000	82,793	1,222,793	2,370,000	80.45%	2033
2034	620,000	14,260	550,000	36,905	1,170,000	51,165	1,221,165	1,200,000	90.10%	2034
2035	630,000	4,883	570,000	12,540	1,200,000	17,423	1,217,423	0	100.00%	2035
	6,980,000	645,056	5,140,000	1,429,297	12,120,000	2,074,353	14,194,353			

* Preliminary, subject to change.

City of Worthington, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 12/07/2023)

	Improvement Bonds Series 2010A		Perm Imp Rev & Perm Imp Rev Ref Bonds Series 2012A		Improvement Bonds Series 2016A		Improvement and Perm Imp Rev Ref Bonds 1) Series 2019A		Improvement Bonds Series 2023B							
Dated Amount	12/14/2010 \$1,890,000		12/19/2012 \$2,570,000		08/30/2016 \$3,150,000		10/17/2019 \$6,335,000		12/07/2023 \$4,090,000*							
Maturity	02/01		02/01		02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	60,000	6,000	20,000	2,025	205,000	45,638	545,000	115,458	0	115,110	830,000	284,230	1,114,230	10,745,000	7.17%	2024
2025	60,000	3,600	20,000	1,575	210,000	41,488	570,000	97,433	310,000	170,505	1,170,000	314,600	1,484,600	9,575,000	17.28%	2025
2026	60,000	1,200	20,000	1,125	215,000	37,238	365,000	84,833	235,000	159,041	895,000	283,436	1,178,436	8,680,000	25.01%	2026
2027			20,000	675	215,000	32,938	375,000	73,733	240,000	149,305	850,000	256,650	1,106,650	7,830,000	32.35%	2027
2028			20,000	225	220,000	28,588	380,000	63,358	245,000	139,484	865,000	231,654	1,096,654	6,965,000	39.83%	2028
2029					230,000	23,800	385,000	54,758	250,000	129,460	865,000	208,018	1,073,018	6,100,000	47.30%	2029
2030					230,000	18,625	390,000	47,008	250,000	119,273	870,000	184,905	1,054,905	5,230,000	54.82%	2030
2031					235,000	13,394	395,000	39,059	260,000	108,753	890,000	161,205	1,051,205	4,340,000	62.51%	2031
2032					220,000	8,000	405,000	30,758	265,000	97,793	890,000	136,550	1,026,550	3,450,000	70.19%	2032
2033					210,000	2,625	410,000	22,098	270,000	86,490	890,000	111,213	1,001,213	2,560,000	77.88%	2033
2034							395,000	13,345	275,000	74,840	670,000	88,185	758,185	1,890,000	83.67%	2034
2035							400,000	4,500	280,000	62,768	680,000	67,268	747,268	1,210,000	89.55%	2035
2036									290,000	50,083	290,000	50,083	340,083	920,000	92.05%	2036
2037									300,000	36,583	300,000	36,583	336,583	620,000	94.64%	2037
2038									305,000	22,364	305,000	22,364	327,364	315,000	97.28%	2038
2039									315,000	7,560	315,000	7,560	322,560	0	100.00%	2039
	180,000	10,800	100,000	5,625	2,190,000	252,331	5,015,000	646,336	4,090,000	1,529,409	11,575,000	2,444,501	14,019,501			

* Preliminary, subject to change.

1) This represents the \$6,335,000 Improvement and Permanent Improvement Revolving Fund Refunding Bonds portion of the \$9,595,000 General Obligation Bonds, Series 2019A.

City of Worthington, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/07/2023)

Capital Improvement Plan Bonds 1) Series 2019A								
Dated	10/17/2019							
Amount	\$3,260,000							
Maturity	02/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	195,000	63,050	195,000	63,050	258,050	2,545,000	7.12%	2024
2025	205,000	56,588	205,000	56,588	261,588	2,340,000	14.60%	2025
2026	210,000	50,875	210,000	50,875	260,875	2,130,000	22.26%	2026
2027	215,000	44,500	215,000	44,500	259,500	1,915,000	30.11%	2027
2028	220,000	38,525	220,000	38,525	258,525	1,695,000	38.14%	2028
2029	230,000	33,475	230,000	33,475	263,475	1,465,000	46.53%	2029
2030	235,000	28,825	235,000	28,825	263,825	1,230,000	55.11%	2030
2031	235,000	24,066	235,000	24,066	259,066	995,000	63.69%	2031
2032	240,000	19,138	240,000	19,138	259,138	755,000	72.45%	2032
2033	245,000	13,984	245,000	13,984	258,984	510,000	81.39%	2033
2034	250,000	8,600	250,000	8,600	258,600	260,000	90.51%	2034
2035	260,000	2,925	260,000	2,925	262,925	0	100.00%	2035
	2,740,000	384,550	2,740,000	384,550	3,124,550			

1) This represents the \$3,260,000 Capital Improvement Plan Bonds portion of the \$9,595,000 General Obligation Bonds, Series 2019A

City of Worthington, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 12/07/2023)

Lewis & Clark Water Project Series 2007			Storm Water Bonds Series 2018A		Taxable Wastewater Revenue Note Series 2021							
Dated Amount	05/24/2007 \$3,105,000		12/06/2018 \$1,140,000		09/03/2021 \$30,322,821							
Maturity	06/01 & 12/01		02/01		08/20							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	210,000	35,991	70,000	28,557	1,438,000	281,980	1,718,000	346,528	2,064,528	28,150,000	5.75%	2024
2025	220,000	25,969	70,000	26,219	1,452,000	267,600	1,742,000	319,788	2,061,788	26,408,000	11.58%	2025
2026	230,000	15,479	75,000	23,798	1,466,000	253,080	1,771,000	292,356	2,063,356	24,637,000	17.51%	2026
2027	120,000	3,672	75,000	21,293	1,481,000	238,420	1,676,000	263,385	1,939,385	22,961,000	23.13%	2027
2028			75,000	18,788	1,496,000	223,610	1,571,000	242,398	1,813,398	21,390,000	28.38%	2028
2029			80,000	16,199	1,511,000	208,650	1,591,000	224,849	1,815,849	19,799,000	33.71%	2029
2030			85,000	13,444	1,526,000	193,540	1,611,000	206,984	1,817,984	18,188,000	39.11%	2030
2031			85,000	10,605	1,541,000	178,280	1,626,000	188,885	1,814,885	16,562,000	44.55%	2031
2032			90,000	7,682	1,557,000	162,870	1,647,000	170,552	1,817,552	14,915,000	50.06%	2032
2033			90,000	4,676	1,572,000	147,300	1,662,000	151,976	1,813,976	13,253,000	55.63%	2033
2034			95,000	1,587	1,588,000	131,580	1,683,000	133,167	1,816,167	11,570,000	61.26%	2034
2035					1,604,000	115,700	1,604,000	115,700	1,719,700	9,966,000	66.63%	2035
2036					1,620,000	99,660	1,620,000	99,660	1,719,660	8,346,000	72.06%	2036
2037					1,636,000	83,460	1,636,000	83,460	1,719,460	6,710,000	77.53%	2037
2038					1,652,000	67,100	1,652,000	67,100	1,719,100	5,058,000	83.07%	2038
2039					1,669,000	50,580	1,669,000	50,580	1,719,580	3,389,000	88.65%	2039
2040					1,686,000	33,890	1,686,000	33,890	1,719,890	1,703,000	94.30%	2040
2041					1,703,000	17,030	1,703,000	17,030	1,720,030	0	100.00%	2041
	780,000	81,111	890,000	172,845	28,198,000	2,754,330	29,868,000	3,008,286	32,876,286			

OVERLAPPING DEBT¹

Taxing District	2022/23 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Nobles County	\$49,167,917	23.9054%	\$6,395,000	\$1,528,750
I.S.D. No. 518 (Worthington)	25,656,441	45.8123%	48,180,000 ³	<u>22,072,366</u>
City's Share of Total Overlapping Debt				<u><u>\$23,601,116</u></u>

¹ Overlapping debt is as of the dated date of the Bonds and Concurrent Obligations. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds and Concurrent Obligations.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,070,832,709	Debt/ Per Capita 14,052¹
Direct G.O. Debt Secured By:			
Sales Tax Revenues*	\$12,120,000		
Special Assessments & Taxes*	11,575,000		
Taxes	2,740,000		
Utility Revenues	29,868,000		
Total General Obligation Debt*	<u>\$56,303,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(41,988,000)</u>		
Tax Supported General Obligation Debt*	\$14,315,000	1.34%	\$1,018.72
 City's Share of Total Overlapping Debt	 <u>\$23,601,116</u>	 <u>2.20%</u>	 <u>\$1,679.56</u>
 Total*	 <u><u>\$37,916,116</u></u>	 <u><u>3.54%</u></u>	 <u><u>\$2,698.27</u></u>

*Preliminary, subject to change.

¹ Estimated 2022 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2018/19	\$4,217,587	\$4,174,242	\$4,216,387	99.97%
2019/20	4,880,821	4,821,579	4,878,453	99.95%
2020/21	5,067,404	5,021,954	5,061,954	99.89%
2021/22	5,720,255	5,676,855	5,676,855	99.24%
2022/23	6,558,740	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES³

	2018/19	2019/20	2020/21	2021/22	2022/23
Nobles County	34.783%	35.540%	35.502%	36.365%	33.469%
City of Worthington	50.628%	55.612%	56.643%	61.222%	55.854%
I.S.D. No. 518 (Worthington)	18.474%	29.303%	26.103%	27.223%	24.206%
Heron Lake Watershed	1.083%	1.085%	1.099%	1.091%	0.891%
Okabena-Ocheda Watershed	2.560%	2.525%	2.477%	2.422%	2.015%
SWRDC	0.144%	0.149%	0.153%	0.155%	0.140%
Worthington HRA	1.543%	1.568%	1.601%	1.562%	1.286%

Referendum Market Value Rates:

I.S.D. No. 518 (Worthington)	0.25617%	0.27569%	0.21670%	0.21950%	0.13366%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Nobles County.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Second half tax payments on agricultural property are due on November 15th of each year.

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1909. The City operates under a home rule charter form of government consisting of a six-member City Council of which the Mayor is not a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 96 full-time, 45 part-time, and nine (9) seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Local 49 IUOE	December 31, 2024
LELS Patrolmen #4	December 31, 2024
LELS Sergeants #274	December 31, 2024

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$1,406,836 as of December 31, 2022. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds and Concurrent Obligation or otherwise questioning the validity of the Bonds and Concurrent Obligations.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (as of September 30, 2023)

Fund	Total Cash and Investments
General	\$4,387,249
Special Revenue	5,292,267
Debt Service	1,688,607
Capital Projects	(564,504)
Enterprise Funds	48,372,092
Internal Service Fund	1,636,439
Agency Fund	<u>175,780</u>
 Total Funds on Hand	 <u><u>\$60,987,930</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2020 Audited	2021 Audited	2022 Audited
Water			
Total Operating Revenues	\$3,839,553	\$4,010,810	\$4,194,577
Less: Operating Expenses	<u>(2,611,619)</u>	<u>(2,687,503)</u>	<u>(2,973,104)</u>
Operating Income	\$1,227,934	\$1,323,307	\$1,221,473
Plus: Depreciation	<u>828,884</u>	<u>840,713</u>	<u>872,738</u>
Revenues Available for Debt Service	<u><u>\$2,056,818</u></u>	<u><u>\$2,164,020</u></u>	<u><u>\$2,094,211</u></u>
Municipal Wastewater			
Total Operating Revenues	\$2,342,440	\$2,552,051	\$2,714,972
Less: Operating Expenses	<u>(1,672,679)</u>	<u>(1,819,965)</u>	<u>(2,104,506)</u>
Operating Income	\$669,761	\$732,086	\$610,466
Plus: Depreciation	<u>370,746</u>	<u>365,827</u>	<u>389,245</u>
Revenues Available for Debt Service	<u><u>\$1,040,507</u></u>	<u><u>\$1,097,913</u></u>	<u><u>\$999,711</u></u>
Electric			
Total Operating Revenues	\$20,477,193	\$21,275,396	\$22,230,452
Less: Operating Expenses	<u>(18,470,805)</u>	<u>(19,976,755)</u>	<u>(20,305,173)</u>
Operating Income	\$2,006,388	\$1,298,641	\$1,925,279
Plus: Depreciation	<u>986,591</u>	<u>1,011,251</u>	<u>1,044,091</u>
Revenues Available for Debt Service	<u><u>\$2,992,979</u></u>	<u><u>\$2,309,892</u></u>	<u><u>\$2,969,370</u></u>
Storm Water Management¹			
Total Operating Revenues	\$701,926	\$707,151	\$728,140
Less: Operating Expenses	<u>(296,208)</u>	<u>(416,469)</u>	<u>(508,700)</u>
Operating Income	\$405,718	\$290,682	\$219,440
Plus: Depreciation	<u>85,979</u>	<u>176,066</u>	<u>250,575</u>
Revenues Available for Debt Service	<u><u>\$491,697</u></u>	<u><u>\$466,748</u></u>	<u><u>\$470,015</u></u>

¹ Beginning in Fiscal Year End 2022, the Storm Water Management, Liquor and Airport Funds were no longer considered major enterprise funds. The Industrial Wastewater Facility, Street Lights and Cable Television Funds are also non-major enterprise funds, not included here. For additional information on these funds, see "APPENDIX A – FINANCIAL STATEMENTS.

ENTERPRISE FUNDS -Continued

	2020 Audited	2021 Audited	2022 Audited
Liquor			
Total Operating Revenues	\$1,284,196	\$1,308,473	\$1,346,927
Less: Operating Expenses	<u>(742,062)</u>	<u>(746,406)</u>	<u>(914,957)</u>
Operating Income	\$542,134	\$562,067	\$431,970
Plus: Depreciation	<u>106,599</u>	<u>109,232</u>	<u>107,280</u>
Revenues Available for Debt Service	<u><u>\$648,733</u></u>	<u><u>\$671,299</u></u>	<u><u>\$539,250</u></u>
Airport			
Total Operating Revenues	\$137,464	\$165,970	\$175,263
Less: Operating Expenses	<u>(861,014)</u>	<u>(847,505)</u>	<u>(920,037)</u>
Operating Income	(\$723,550)	(\$681,535)	(\$744,774)
Plus: Depreciation	<u>591,800</u>	<u>591,800</u>	<u>590,963</u>
Revenues Available for Debt Service	<u><u>(\$131,750)</u></u>	<u><u>(\$89,735)</u></u>	<u><u>(\$153,811)</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the operating revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2023 Adopted Budget ¹
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	
Operating Revenues					
Property Taxes (also includes lodging,gambling)	\$1,919,011	\$1,864,296	\$2,581,708	\$2,822,903	\$2,928,413
Fees, licenses and permits	303,957	421,719	250,206	212,657	215,975
Intergovernmental	4,156,943	4,942,832	4,742,927	4,553,809	4,026,188
Charges for Services	457,731	381,583	318,720	279,652	298,647
Fines and Forfeits	61,678	43,015	43,182	46,212	45,000
Special assessments	10,104	247	322	489	0
Investment earnings	109,974	103,923	84,948	(67,845)	80,941
Net decrease in the fair value of investments	757,447	398,914	(517,488)	0	0
Rent	29,033	25,589	2,835	0	3,710
Other miscellaneous revenues	137,652	54,350	38,831	193,209	31,200
Total Operating Revenues	\$7,943,530	\$8,236,468	\$7,546,191	\$8,041,086	\$7,630,074
Expenditures					
Current:					
General Government	\$1,768,584	\$2,207,544	\$1,917,150	\$1,939,990	\$2,392,037
Public Safety	4,726,356	5,054,413	4,807,846	4,709,515	5,233,445
Public Works	3,200,946	907,488	1,431,451	1,005,915	966,418
Culture and Recreation	103,721	88,547	98,398	212,035	124,165
Conservation and development	253,486	187,280	300,589	280,554	222,010
Capital outlay	0	0	0	875,272	440,536
Total Expenditures	\$10,053,093	\$8,445,272	\$8,555,434	\$9,023,281	\$9,378,611
Excess of operating rev. over (under) expenditures	(\$2,109,563)	(\$208,804)	(\$1,009,243)	(\$982,195)	(\$1,748,537)
Other Financing Sources (Uses)					
Proceeds from the Sale of Capital Assets	\$17,591	\$11,000	\$141,301	\$15,581	\$0
Issuance of bonds	3,224,720	0	0	0	0
Premium on bonds	87,458	0	0	0	0
Transfers in	1,305,761	1,315,012	1,239,504	1,245,137	1,459,533
Transfers out	(44,733)	(931,260)	(42,228)	(46,908)	(47,499)
Total Other Financing Sources (Uses)	\$4,590,797	\$394,752	\$1,338,577	\$1,213,810	\$1,412,034
Net changes in Fund Balances	\$2,481,234	\$185,948	\$329,334	\$231,615	(\$336,503)
General Fund Balance January 1	\$6,704,215	\$9,185,449	\$9,371,401	\$9,700,735	
Prior Period Adjustment	0	0	0	(957,398)	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$9,185,449	\$9,371,397	\$9,700,735	\$8,974,952	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$362,765	\$392,543	\$462,925	\$884,245	
Restricted	1,281	1,281	1,281	0	
Committed	3,213,621	3,353,893	3,104,743	3,330,903	
Assigned	905,310	700,815	1,208,544	1,046,893	
Unassigned	4,702,472	4,922,865	4,923,242	3,712,911	
Total	\$9,185,449	\$9,371,397	\$9,700,735	\$8,974,952	

¹ The 2023 Budget was adopted on December, 12, 2022.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 13,947 and a 2022 population estimate of 14,052, and comprising an area of nine (9) square miles, is located approximately 175 miles southwest of the Minneapolis-St. Paul, Minneapolis metropolitan area and 60 miles east of Sioux Falls, South Dakota. The City is the county seat of Nobles County.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
JBS	Livestock feeding and meat packers	2,100
I.S.D. No. 518 (Worthington)	Elementary and secondary education	635
Sanford Medical Group	Hospital and physicians	404
Beford Industries	Plastic product manufacturing	365
Hy-Vee Food Stores	Grocery store	301
The City	Municipal government and services	185
Nobles County	County government and services	184
Highland Manufacturing	Buildings pre-cut prefab & modular manufacturers	180
Walmart	Retail and groceries	178
Prairie Holding Group	Pharmaceutical & medicine manufacturing	135

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of September 30, 2023)

	2019	2020	2021	2022	2023
<u>New Single Family Homes</u>					
No. of building permits	5	3	0	13	0
Valuation	\$1,484,216	\$920,000	\$0	\$3,255,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	2	3	3	0	1
Valuation	\$540,000	\$1,310,000	\$1,685,000	\$0	\$333,000
<u>New Commercial/Industrial</u>					
No. of building permits	8	18	7	7	2
Valuation	\$22,732,358	\$27,094,780	\$1,749,462	\$875,000	\$2,775,984
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	480	559	460	530	608
Valuation	\$33,361,303	\$72,396,380	\$21,749,259	\$8,457,181	\$13,216,360

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	12,764
2020 U.S. Census population	13,947
Percent of Change 2010 - 2020	9.27%

2022 State Demographer Population Estimate	14,052
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Income and Age Statistics

	The City	Nobles County	State of Minnesota	United States
2021 per capita income	\$23,807	\$27,103	\$41,204	\$37,638
2021 median household income	\$52,153	\$57,101	\$77,706	\$69,021
2021 median family income	\$65,236	\$70,676	\$98,356	\$85,028
2021 median gross rent	\$826	\$810	\$1,081	\$1,163
2021 median value owner occupied units	\$141,400	\$140,700	\$250,200	\$244,900
2021 median age	33.3 yrs.	36.4 yrs.	38.2 yrs.	38.4 yrs.

	State of Minnesota	United States
City % of 2021 per capita income	57.78%	63.25%
City % of 2021 median family income	66.33%	76.72%

Housing Statistics

	<u>The City</u>		
	2020	2021	Percent of Change
All Housing Units	4,860	4,913	1.09%

Source: 2010 and 2020 Census of Population and Housing, and 2021 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Nobles County	Nobles County	State of Minnesota
2019	10,924	3.0%	3.3%
2020	11,209	4.3%	6.3%
2021	10,954	3.1%	3.8%
2022	10,837	2.3%	2.7%
2023, September	10,777	2.9%	2.6%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2022

PREPARED BY:

FINANCE DEPARTMENT

DEBRA OLSEN
Finance Director

Member GFOA of U.S. and Canada
Published September 20, 2023

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INTRODUCTORY SECTION

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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FINANCE DEPARTMENT

September 20, 2023

CITY OF WORTHINGTON ■ 303 NINTH STREET, PO BOX 279 ■ WORTHINGTON,
MN 56187
TELEPHONE: (507) 372-8600 ■ FAX: (507) 372-8630 ■
www.ci.worthington.mn.us

To the Honorable Mayor, Members of the City Council and Citizens of the City of Worthington:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Worthington for the fiscal year ended December 31, 2022.

This report consists of management's representations concerning the finances of the City of Worthington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Worthington has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliability information for the preparation of the City of Worthington's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Worthington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Worthington's financial statements have been audited by Abdo, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Worthington for the fiscal year ended December 31, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Worthington's financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP accounting principles generally accepted in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Worthington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Worthington, incorporated in 1873, is located in the southwestern part of the State of Minnesota, and serves as a regional trade and service center for the surrounding agricultural area. The City of Worthington currently occupies a land area of 9.28 square miles and serves a population of 14,055. The City of Worthington is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing Council.

The City of Worthington has operated under the council-administrator form of government since 1973. Policy making and legislative authority are vested in a City Council consisting of the Mayor and five other members. The governing Council is responsible, among other things, for passing ordinances, adopting the budgets, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City government, and for appointing the heads of various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three Council members elected every four years and the Mayor and two Council members elected in staggered four-year terms. Four of the Council members are elected by district. The Mayor and the one remaining Council member are elected at-large.

The City of Worthington provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water, sewer and electric services, and recreational activities and cultural events.

This annual budget serves as the foundation for the City of Worthington's financial planning and control. All departments of the City of Worthington submit requests for appropriation to the City Administrator and Finance Director in July of each year. The City Administrator and Finance Director uses these requests as the starting point for developing a proposed budget. The City Administrator and Finance Director then provides this proposed budget to the department heads in August to suggest priorities. These budgets then are brought to council for review during work sessions scheduled in September. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Worthington's fiscal year. The appropriated budget is prepared by fund, function (e.g. general government, public safety, etc.), and department (e.g. administration, police, etc.). Budgetary control is maintained at the departmental level of expenditures within each activity (function). The level of control (level at which expenditures may not exceed budget) is maintained at each individual fund, except for the general fund. The general fund is reviewed at the departmental level (i.e. Mayor and council, administration, police department, fire, public works, and streets); however, the overall budget of the general fund is the responsibility of the City Administrator. Informal approval is given by the City Administrator and Finance Director. The City Administrator must obtain approval from the City Council for all budget transfers and departmental overages.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Worthington operates.

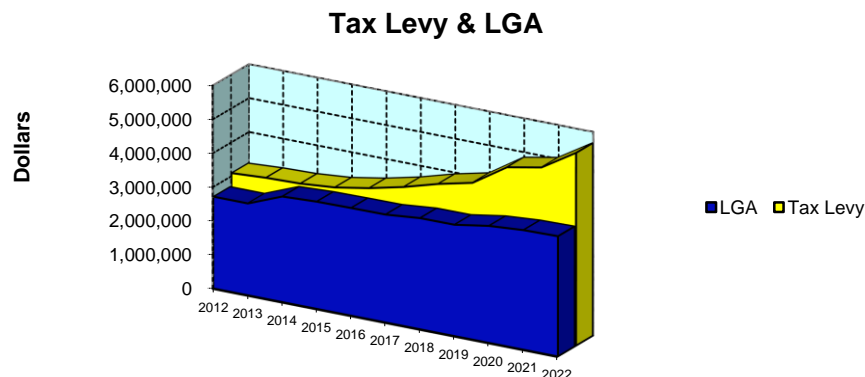
Local economy. The City serves as the county seat and regional economic center for Nobles County in Southwestern Minnesota. In 2022, the City issued 530 building permits (70 permits more than issued in 2021) for a cumulative total of \$8.5 million of construction work, which is 61% less than the construction value reported in 2021. The current economic environment has resulted in the investment of over \$155 million in building activities within the corporate limits of Worthington between January 2018 and December 2022.

Worthington, rich in culture, is southwest Minnesota's commercial, industrial and agricultural regional center. Our economy has remained strong, continuing to grow and thrive with the population surpassing 14,000 in 2023. Local option sales tax revenue, used to fund community amenities and enhancements, exceeded projections in 2022 indicating a strong retail economy. Sales tax funds are supporting the City's economic development initiatives to grow the workforce by adding housing and recreational opportunities. Worthington has invested more than \$30 million over the past several years in projects intended to attract and retain our needed workforce.

Long-term financial planning. Unassigned fund balance in the general fund at year end was 40 percent of the total general fund budgeted expenditures. This amount is within the policy guidelines (35%-50%) set by the Council for budgetary and planning purposes. This year-end amount is just over the target percentages set by the policy guidelines (2020 and 2021 percentages were 58% and 52% respectively).

The City maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities and infrastructure are well maintained and operating in peak condition. Projects are identified by name, cost and funding sources (property taxes, reserves, bonding, assessments, utility revenue, state/federal funding or other). The City also funds its equipment purchases through its budgetary process annually. This ensures that when a piece of equipment is scheduled to be replaced, a majority (if not all) of the funding is available for the purchase of the equipment. This allows the City to stabilize the impact on property tax revenues by building the required amounts over a period of time.

The City raised its property tax levy 12.44% for taxes payable in 2022. Following is a graph comparing the City's tax levy and LGA received in the appropriate years.



Labor agreements with the City's three bargaining units (Law Enforcement Labor Services (LELS) #4 and #274 and Union of Operating Engineers Local #49, AFL-CIO) terminated on December 31, 2021. The City and all three bargaining units agreed to three-year contracts for 2022, 2023 and 2024. The Cost of Living Adjustment (COLA) increase for all three bargaining units and non-aligned employees for the current contract period was 3.50% each of the three years.

Major Initiatives. The City has accomplished many things in 2022 and initiated projects that will continue through 2023 and beyond. The following are some of the major initiatives addressed during the year.

Housing. Development of two single family subdivisions was completed in mid-2022 to address the shortage of buildable lots. Sales of the lots has been encouraging with several new houses completed or currently under construction. The City also took steps to redirect Tax Increment funds to a market rate multifamily residential initiative. Reception to this program has been positive with several developers currently preparing proposals for consideration by the City Council.

Park and Recreation Improvements. The JBS/City of Worthington Field House and Recreation Center opened in 2022 providing indoor athletic and community activities throughout the cold weather months. More than \$5 million in facility improvements in six of Worthington's parks were completed this year. The City's new outdoor aquatic center is nearing completion and scheduled to open in late spring 2023.

Movie Theater. The New Grand Theater opened in May 2022. A five-screen state of the art movie theater boasting stadium seating, reclining seats and digital projectors. The City partnered with a theater operator to bring that big cinema experience generally only found in large metro areas.

Relevant Financial Policies. The City has a policy regarding General Fund reserve balances. The City plans for an unassigned fund balance in the General Fund equivalent to 35%-50% of the subsequent year's budgeted expenditures to provide working capital between semi-annual property tax settlements. Since the property tax settlements are received by the City in July and December, the City needs sufficient cash reserves to avoid short-term borrowing to finance operations. The City has unspendable or restricted fund balances for deferrals, prepaid items, inventories, assets held for resale and other legal obligations. The City also reports committed and assigned fund balances for special purposes.

The primary goal of the City's investment policy is to ensure the safety of the principal invested. Cash temporarily idle during the year is invested in certificates of deposit, obligations of the U.S. Treasury and government agencies. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at June 30 and December 31. A cash flow analysis is utilized and staggered in a way to meet projected liquidity needs. Capital financing for major improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time, typically over the life of the bond issue, and are used to help satisfy the improvement bond debt or reimburse the fund used to finance the project.

The City Council has also adopted financial management policies in order to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. These policies are reviewed each year when the annual budget is adopted. The financial management policies included: operating budget policies; revenue policies; accounting, auditing and financial reporting policies; investment policies; debt policies; capital improvement policies; and risk management policies.

The City Council has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of: safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the evaluation of cost and benefits requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and also provide reasonable assurance of properly recording financial transactions.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worthington for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2021. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

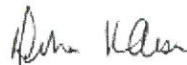
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Worthington's finances.

Respectfully submitted,



Steven Robinson
City Administrator



Debra K. Olsen
Finance Director

City of Worthington, Minnesota
Elected and Appointed Officials
December 31, 2022

ELECTED

Name	Title	Term Expires
Mike Kuhle	Mayor	12/31/22
Chad Cummings	Council Member, At-Large	12/31/24
Larry Janssen	Council Member, Ward I	12/31/22
Chris Kielblock	Council Member, Ward I	12/31/24
Alaina Kolpin	Council Member, Ward II	12/31/22
Amy Ernst	Council Member, Ward II	12/31/24

APPOINTED

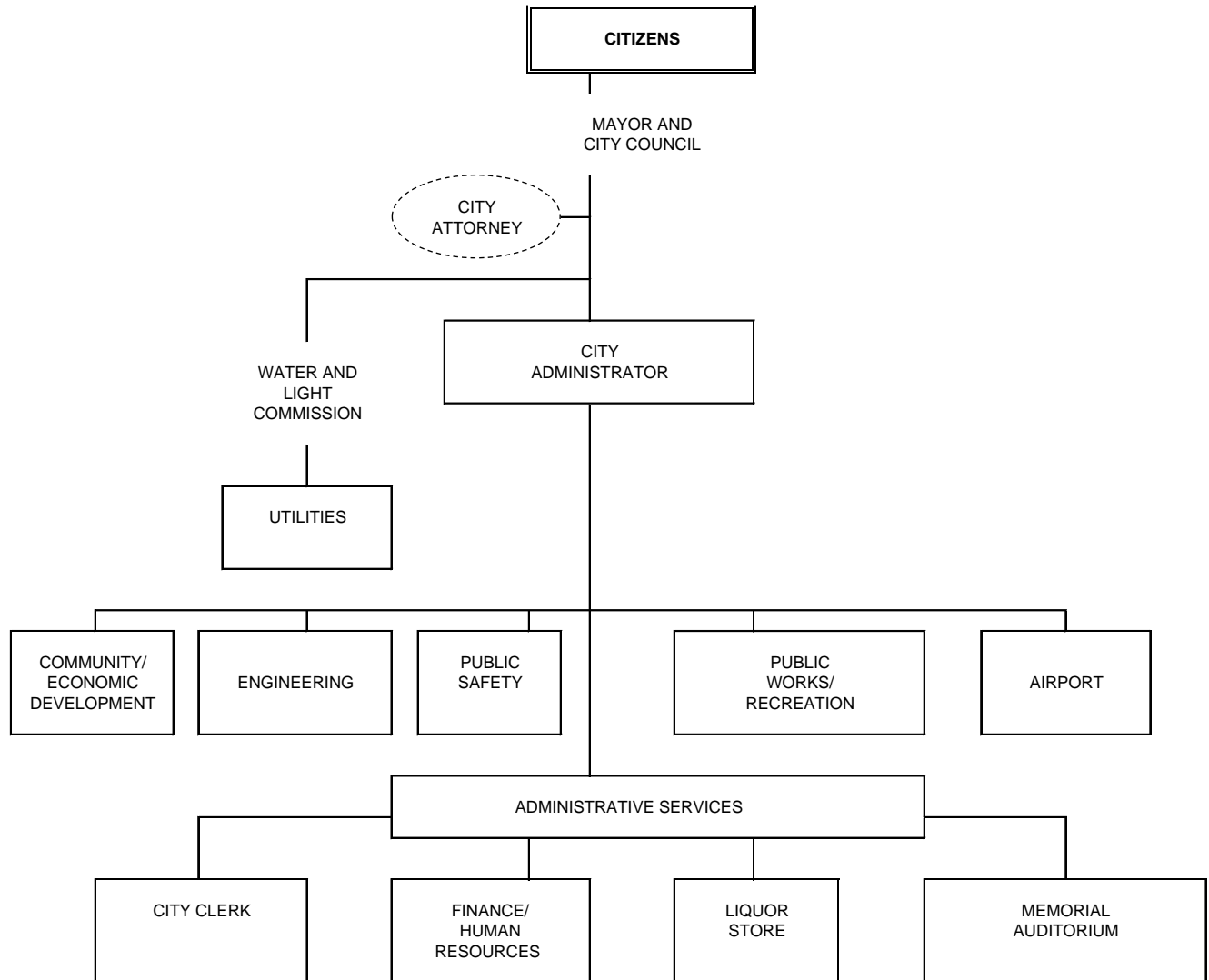
Name	Title
Steven Robinson	City Administrator
Debra Olsen	Finance Director
Mindy Eggers	City Clerk
Stephen Schnieder	City Engineer
Jesse Flynn	City Attorney

Department Heads

Name	Title
Steven Robinson	City Administrator
Mindy Eggers	City Clerk
Debra Olsen	Director of Finance
Stephen Schnieder	Director of Engineering
Matt Selof	Director of Community Service/Economic Development
Troy Appel	Director of Public Safety
Todd Wietzema	Superintendent of Public Works
Scott Hain	General Manager of Utilities

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CITY OF WORTHINGTON ADMINISTRATIVE ORGANIZATION



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Worthington
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION
CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Worthington, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Worthington, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 25 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios starting on page 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 in the report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
September 20, 2023



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Management's Discussion and Analysis

As management of the City of Worthington (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$209,687,032 (net position). Of this amount, \$60,028,263 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,868,827. The majority of the increase was the result of an increase in capital contributions.
- At the close of the current fiscal year, the City of Worthington's governmental funds reported combined ending fund balances of \$20,112,132, a decrease of \$7,383,033 in comparison with the prior year mainly due to capital expenditures during the year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,712,911, or 41.1 percent of total general fund expenditures.
- The City of Worthington retired existing debt of \$1,580,000 during the current fiscal year.

Overview of the Financial Statements

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

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

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

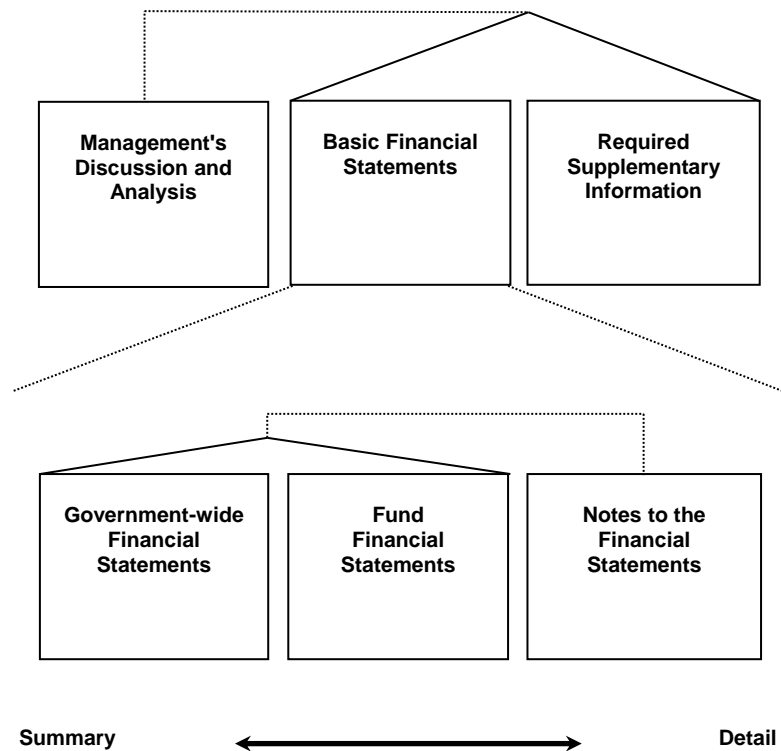


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, conservation and development, and interest and fiscal charges. The business-type activities of the City include the water, municipal wastewater, electric, industrial wastewater facility, storm water management, street lighting, liquor, airport and cable television activities.

The government-wide financial statements can be found starting on page 39 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains numerous individual governmental funds, many of which are Debt Service funds which are combined for reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, WRH, Recreation, Economic Development Authority, the Debt Service funds (which are considered one fund for financial reporting), Improvement Construction, and the Aquatic Center Facility, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison statements have been provided for the General, WRH, Recreation, Economic Development Authority, Memorial Auditorium, Sales Tax Revenue, Event Center, and Wgtn EDA funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 44 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, municipal wastewater, electric, industrial wastewater facility, storm water management, street lighting, liquor, airport and cable television operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, safety promotion loss control, vacation and sick accrual, and health insurance plan activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, municipal wastewater and electric, all of which are considered to be major funds of the City. Conversely, other internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 55 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 58 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 61 of this report.

Required Supplementary Information Other than MD&A. Governments have an option of including the budgetary comparison statements for the General fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, this report also presents certain *required supplementary information* concerning the City's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees starting on page 104 of this report. The City has disclosed this information in Notes 4 and 7 to the financial statements and as separate required supplementary information.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 114 of this report.

Statistical Section. Further, a statistical section has been included as part of the annual comprehensive financial report to facilitate additional analysis and can be found starting on page 158 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The following table presents net position which is the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is one way to measure the City's financial health, or position, over time. Over time increases or decreases in the City's net position are an indicator of whether the financial health is improving or deteriorating respectively.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$209,687,032 at the close of the most recent fiscal year. A large portion of the City's net position (68.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Worthington's Summary of Net Position

	Governmental Activities			Business-type Activities			Total	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
Current and Other Assets	\$ 25,680,250	\$ 33,630,401	\$ (7,950,151)	\$ 56,192,749	\$ 55,891,956	\$ 300,793	\$ 81,872,999	\$ 89,522,357
Capital Assets	91,632,456	84,507,395	7,125,061	94,973,657	73,679,398	21,294,259	186,606,113	158,186,793
Total Assets	117,312,706	118,137,796	(825,090)	151,166,406	129,571,354	21,595,052	268,479,112	247,709,150
Deferred Outflows of Resources	6,078,717	3,838,872	2,239,845	869,029	1,083,750	(214,721)	6,947,746	4,922,622
Long-term Liabilities								
outstanding	31,005,365	25,820,546	5,184,819	24,492,096	7,248,371	17,243,725	55,497,461	33,068,917
Other Liabilities	2,827,807	2,852,294	(24,487)	6,348,237	2,783,429	3,564,808	9,176,044	5,635,723
Total Liabilities	33,833,172	28,672,840	5,160,332	30,840,333	10,031,800	20,808,533	64,673,505	38,704,640
Deferred Inflows of Resources	916,807	5,391,945	(4,475,138)	149,514	1,459,847	(1,310,333)	1,066,321	6,851,792
Net Position								
Net investment in								
capital assets	72,343,180	63,978,934	8,364,246	71,174,206	69,154,954	2,019,252	143,517,386	133,133,888
Restricted	6,141,383	2,107,112	4,034,271	-	19,273,795	(19,273,795)	6,141,383	21,380,907
Unrestricted	10,156,881	21,825,837	(11,668,956)	49,871,382	30,734,708	19,136,674	60,028,263	52,560,545
Total Net Position	\$ 88,641,444	\$ 87,911,883	\$ 729,561	\$ 121,045,588	\$ 119,163,457	\$ 1,882,131	\$ 209,687,032	\$ 207,075,340
Net Position as a Percent of Total								
Net investment in								
capital assets	81.6 %	72.8 %		58.8 %	58.0 %			
Restricted	6.9	2.4		-	16.2			
Unrestricted	11.5	24.8		41.2	25.8			
	100.0 %	100.0 %		100.0 %	100.0 %			

Additionally, a portion of the City's net position (2.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (28.6 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

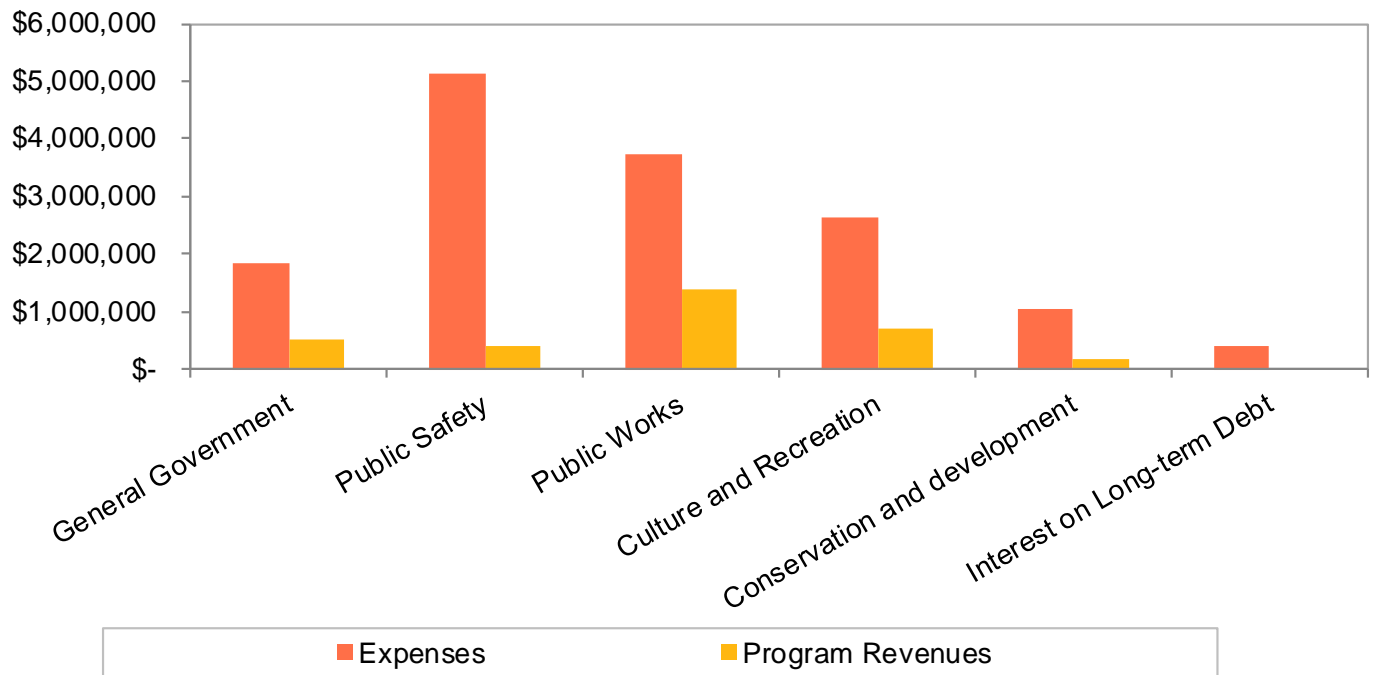
Governmental Activities. Governmental activities increased the City's net position by \$986,696 accounting for 34.3 percent of the total increase in the City's net position. Key elements of this increase are as follows:

City of Worthington's Changes in Net Position

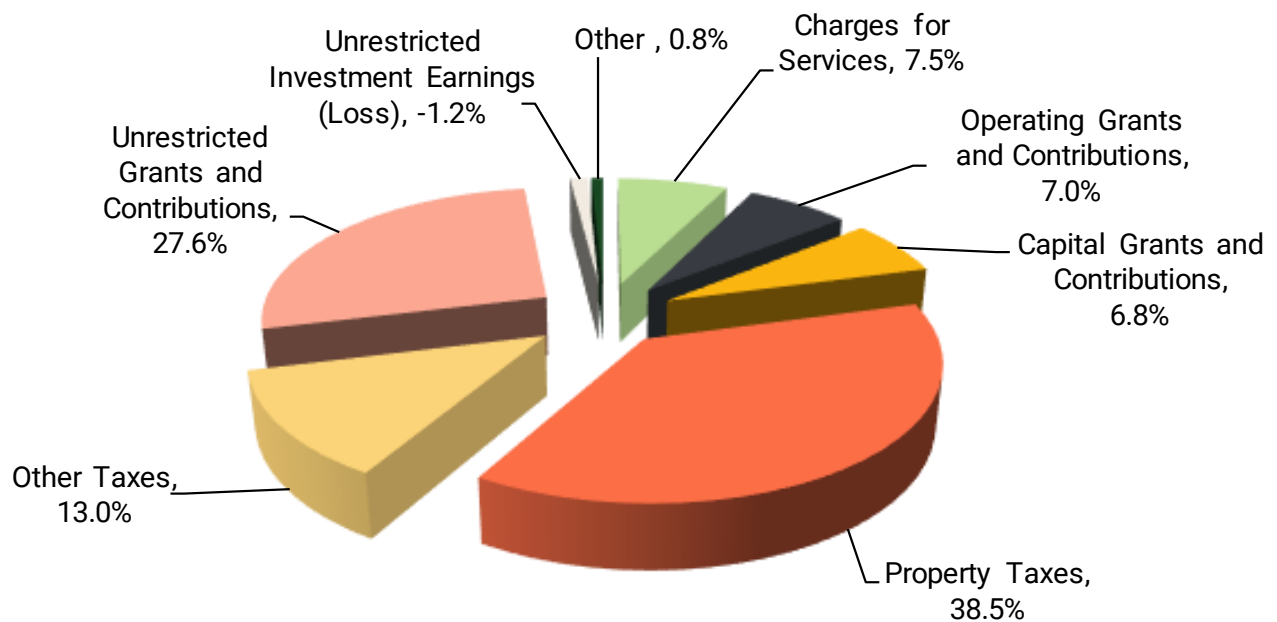
	Governmental Activities			Business-type Activities			Total	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
Revenues								
Program Revenues								
Charges for services	\$ 1,106,623	\$ 1,000,145	\$ 106,478	\$ 37,994,759	\$ 36,110,742	\$ 1,884,017	\$ 39,101,382	\$ 37,110,887
Operating grants and contributions	1,041,377	531,349	510,028	100,046	(12,202)	112,248	1,141,423	519,147
Capital grants and contributions	1,011,161	742,257	268,904	241,821	135,850	105,971	1,252,982	878,107
General Revenues								
Property taxes	5,651,252	5,022,276	628,976	-	-	-	5,651,252	5,022,276
Other taxes	1,926,354	1,680,964	245,390	-	-	-	1,926,354	1,680,964
Grants and contributions not restricted to specific programs	4,077,199	4,236,780	(159,581)	-	-	-	4,077,199	4,236,780
Unrestricted investment earnings (loss)	(160,928)	(258,262)	97,334	(1,009,400)	300,623	(1,310,023)	(1,170,328)	42,361
Other	84,237	514,290	(430,053)	-	517,968	(517,968)	84,237	1,032,258
Gain on sale of capital assets	40,850	184,435	(143,585)	-	13,251	(13,251)	40,850	197,686
Total Revenues	14,778,125	13,654,234	1,123,891	37,327,226	37,066,232	260,994	52,105,351	50,720,466
Expenses								
General government	1,857,980	1,687,668	170,312	-	-	-	1,857,980	1,687,668
Public safety	5,133,978	5,180,463	(46,485)	-	-	-	5,133,978	5,180,463
Public works	3,722,567	2,883,974	838,593	-	-	-	3,722,567	2,883,974
Culture and recreation	2,637,543	2,279,248	358,295	-	-	-	2,637,543	2,279,248
Conservation and development	1,046,934	899,717	147,217	-	-	-	1,046,934	899,717
Interest and fiscal charges	392,592	879,625	(487,033)	-	-	-	392,592	879,625
Water	-	-	-	3,017,013	2,746,360	270,653	3,017,013	2,746,360
Municipal wastewater	-	-	-	2,210,040	1,788,150	421,890	2,210,040	1,788,150
Electric	-	-	-	20,273,915	19,944,174	329,741	20,273,915	19,944,174
Industrial wastewater facility	-	-	-	2,497,235	2,056,566	440,669	2,497,235	2,056,566
Storm water management	-	-	-	553,928	450,122	103,806	553,928	450,122
Street lighting	-	-	-	46,664	48,387	(1,723)	46,664	48,387
Liquor	-	-	-	4,802,620	4,613,057	189,563	4,802,620	4,613,057
Airport	-	-	-	918,470	844,685	73,785	918,470	844,685
Cable television	-	-	-	125,045	122,410	2,635	125,045	122,410
Total Expenses	14,791,594	13,810,695	980,899	34,444,930	32,613,911	1,831,019	49,236,524	46,424,606
Increase (decrease) in net position before transfers	(13,469)	(156,461)	142,992	2,882,296	4,452,321	(1,570,025)	2,868,827	4,295,860
Transfers	1,000,165	1,822,575	(822,410)	(1,000,165)	(1,822,575)	822,410	-	-
Change in Net Position	986,696	1,666,114	(679,418)	1,882,131	2,629,746	(747,615)	2,868,827	4,295,860
Net Position - January 1	87,911,883	86,245,769	1,666,114	119,163,457	116,533,711	2,629,746	207,075,340	202,779,480
Prior Period Adjustment	(257,135)	-	(257,135)	-	-	-	(257,135)	-
Net Position - December 31	\$ 88,641,444	\$ 87,911,883	\$ 729,561	\$ 121,045,588	\$ 119,163,457	\$ 1,882,131	\$ 209,687,032	\$ 207,075,340

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

Expenses and Program Revenues - Governmental Activities



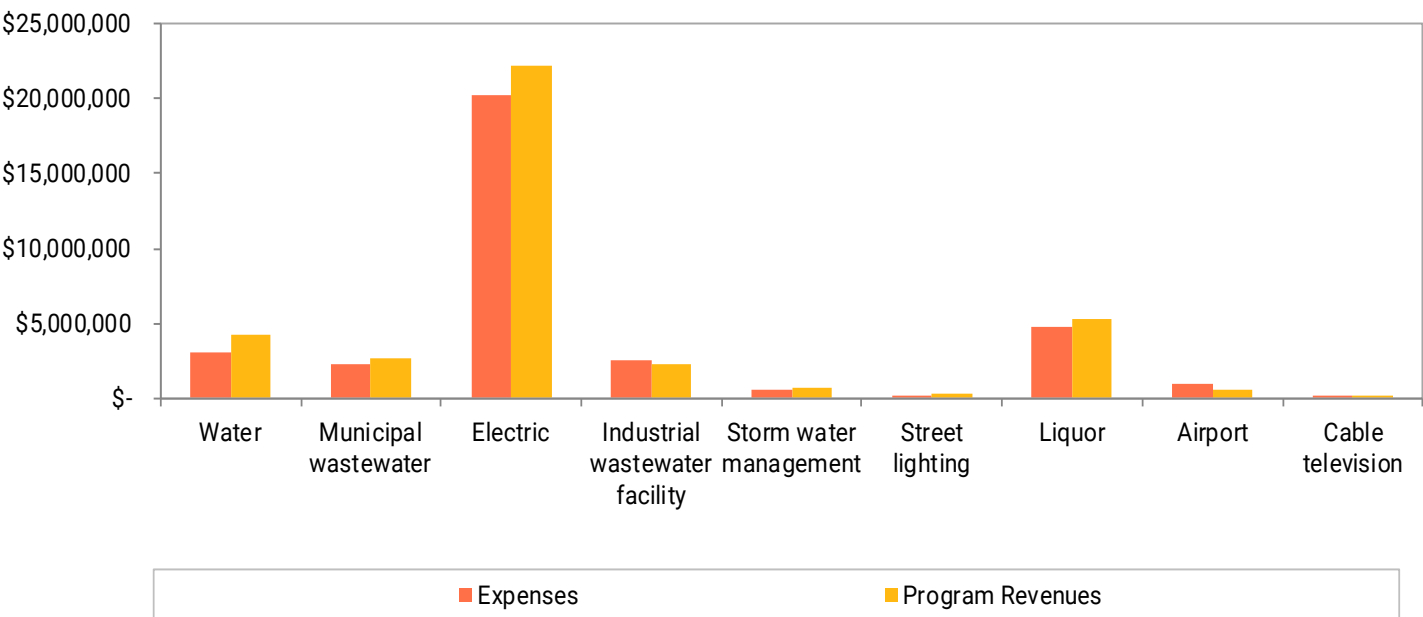
Revenues by Source - Governmental Activities



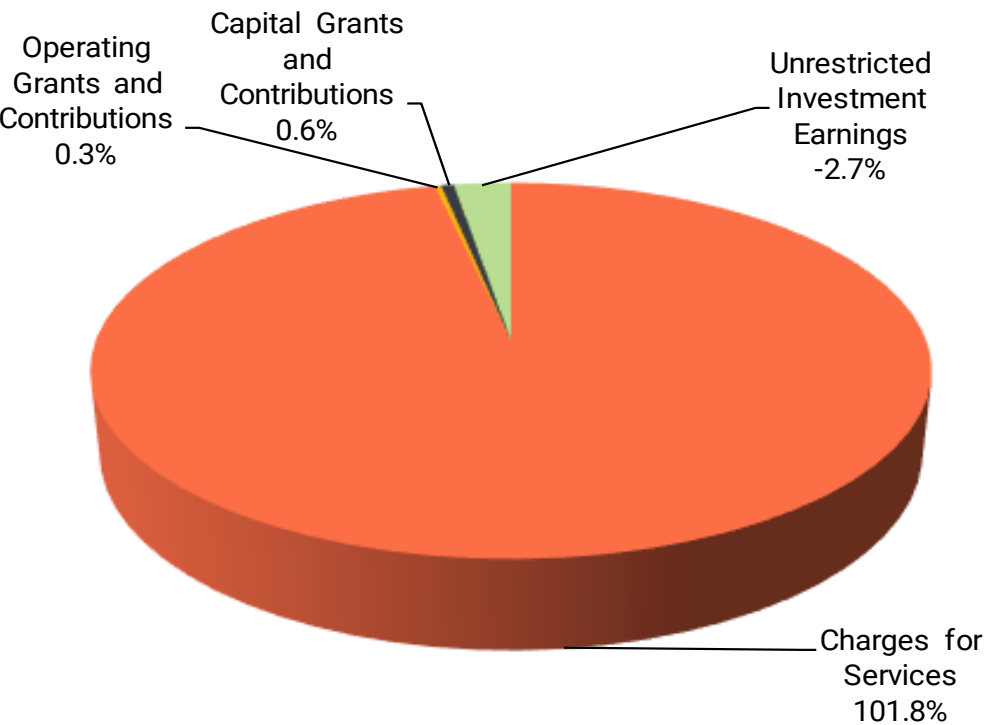
Business-type Activities. Business-type activities increased the City’s net position by \$1,882,131, accounting for a 65.7 percent increase in the total growth in the City’s net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$1,884,017 or 5.2 percent. The majority of increases occurred in water, municipal wastewater, electric and industrial wastewater facility, all due to increased rates.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,112,132, a decrease of \$7,383,033 in comparison with the prior year. Approximately negative (38.2) percent of this total amount, (\$7,660,880), constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$27,773,012) is not available for new spending because it is either 1) nonspendable (\$912,032), 2) restricted (\$5,742,121), 3) committed (\$17,889,264), or 4) assigned (\$3,229,595) for the purposes described in Note 3 in the fund balance section of each balance sheet.

The *General fund* is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General fund was \$3,712,911, while total fund balance reached \$8,974,952. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41.2 percent of total General fund expenditures, while total fund balance represents 99.6 percent of that same amount.

The fund balance of the City's General fund increased by \$231,615 during the current fiscal year. This increase can be attributed to increased tax collections, a transfer from a custodial fund, and less market value loss on investments from prior year.

The *WRH fund* has a total fund balance of \$10,426,256, the majority of which is committed nonspendable due to advances to other funds. The net increase in fund balance during the current year was \$305,491. The increase is a result of increased transfers from the EDA fund.

The *Recreation fund* has a total fund balance of (\$1,379,784), the majority of which is unassigned due to the deficit in the fund. The net decrease in fund balance during the current year was \$2,433,308. The decrease is a result of costs relating to the field house building.

The *Economic Development Authority fund* has a total fund balance of (\$3,956,711), the majority of which is unassigned due to the deficit in the fund. The net decrease in fund balance during the current year was \$2,285, which is essentially breakeven.

The *Debt Service fund* has a total fund balance of \$2,476,645, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$124,856. The decrease is largely a result of property tax and special assessment collections being insufficient to cover debt service requirements.

The *Improvement Construction fund* has a total fund balance of \$1,687,449. The net decrease in fund balance during the current year was \$3,123,808. The decrease was a result of construction costs relating to the following projects: W Oxford-Elmwood to Park Ave, 8th/9th Ave to Dead End, 2020 overlay, Tap Trails, 27th St Extension project, Homewood Hills Street Reconstruction, and 2022 Overlay.

The *Aquatic Center Facility fund* has a total fund balance of (\$5,499,647). The net decrease in fund balance during the current year was \$2,811,936. The decrease was a result of construction costs relating to the construction of the aquatic center.

Proprietary Funds. Unrestricted net position of the enterprise funds at the end of the year amounted to \$49,729,456. Total increase in net position for enterprise funds was \$1,819,363. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be summarized as follows:

- \$570,135 in net adjustments increasing capital expenditures, \$135,694 in net adjustments increasing general government expenditures, and \$385,856 in adjustments increasing other financing sources and uses.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022 amounts to \$186,606,113 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- 2022 L70H Wheel Loader costing \$168,727.
- Purchase police portable radios costing \$108,177.
- Installed video security system throughout our city parks costing \$80,824.
- Construction started but not completes on street projects costing \$3,394,536 and recreation projects costing \$1,889,205 and aquatic center costing \$3,133,704.
- 2022 Watermain replacement costing \$3,201,555.
- Municipal Wastewater treatment facility costing \$17,123,697.
- Substation #3 equipment replacement costing \$3,422,629.
- Airport master plan update costing \$184,872.

Additional information on the City's capital assets can be found in Note 3D starting on page 76 of this report.

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

	Governmental Activities			Business-type Activities			Total	
	2022	2021 As Restated	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
Land	\$ 5,956,974	\$ 5,837,976	\$ 118,998	\$ 1,696,818	\$ 1,696,818	\$ -	\$ 7,653,792	\$ 7,534,794
Intangibles	134,607	134,607	-	3,199,810	3,199,810	-	3,334,417	3,334,417
Construction in Progress	17,645,957	18,319,787	(673,830)	26,721,437	9,980,070	16,741,367	44,367,394	28,299,857
Buildings	22,556,725	20,546,527	2,010,198	13,544,283	13,268,157	276,126	36,101,008	33,814,684
Improvements	8,185,727	5,416,282	2,769,445	47,999,418	43,435,966	4,563,452	56,185,145	48,852,248
Machinery and Equipment	2,847,784	2,786,644	61,140	1,744,631	2,024,296	(279,665)	4,592,415	4,810,940
Office Equipment	32,867	23,274	9,593	67,260	74,281	(7,021)	100,127	97,555
Vehicles	55,410	66,547	(11,137)	-	-	-	55,410	66,547
Infrastructure	34,216,405	31,597,913	2,618,492	-	-	-	34,216,405	31,597,913
Total	\$ 91,632,456	\$ 84,729,557	\$ 6,902,899	\$ 94,973,657	\$ 73,679,398	\$ 21,294,259	\$ 186,606,113	\$ 158,408,955

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$40,326,482. Of this amount, \$955,000 comprises revenue related debt backed by the full faith and credit of the City, \$11,370,000 is general obligation debt and \$20,506,482 relates to PFA notes payable.

City of Worthington's Outstanding Debt

	Governmental Activities			Business-type Activities			Total	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
General Obligation Bonds	\$ 11,370,000	\$ 12,410,000	\$ (1,040,000)	\$ -	\$ -	\$ -	\$ 11,370,000	\$ 12,410,000
G.O. Sales Tax Bonds	7,495,000	7,970,000	(475,000)	-	-	-	7,495,000	7,970,000
General Obligation								
Revenue Bonds	-	-	-	955,000	1,020,000	(65,000)	955,000	1,020,000
Notes Payable	-	-	-	20,506,482	4,647,249	15,859,233	20,506,482	4,647,249
Total	<u>\$ 18,865,000</u>	<u>\$ 20,380,000</u>	<u>\$ (1,515,000)</u>	<u>\$ 21,461,482</u>	<u>\$ 5,667,249</u>	<u>\$ 15,794,233</u>	<u>\$ 40,326,482</u>	<u>\$ 26,047,249</u>

The City's total bonded debt increased by \$14,279,233, (54.8 percent) during the current fiscal year. This was a result of the City drawing on PFA notes.

The City maintains an "AA-" rating. Such was reaffirmed by Standards and Poor's in 2020.

Minnesota statutes limit the amount of net general obligation debt a City may issue three percent of the total estimated market value of the City. The current debt limitation for the City is \$30,181,497, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Nobles County as of December 31, 2022 is 2.3 percent, which is lower than a year ago (3.0). This compares unfavorably to the State's average unemployment rate of 2.5 percent and the national average rate of 3.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- These factors were considered in preparing the City of Worthington's budget for the 2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Worthington, 303 Ninth Street, Worthington, Minnesota 56187.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Worthington, Minnesota

Statement of Net Position

December 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 18,883,032	\$ 52,172,410	\$ 71,055,442
Receivables			
Accrued interest	57,410	102,162	159,572
Delinquent taxes	63,963	-	63,963
Accounts	78,988	3,278,042	3,357,030
Loans (net of allowance)	1,639,141	-	1,639,141
Leases	288,025	-	288,025
Special assessments	1,065,700	-	1,065,700
Intergovernmental	2,884,016	345,375	3,229,391
Internal balances	509,407	(509,407)	-
Inventories	67,900	688,188	756,088
Prepaid items	142,668	115,979	258,647
Capital assets			
Nondepreciable	23,737,538	31,618,065	55,355,603
Depreciable, net of accumulated depreciation	67,894,918	63,355,592	131,250,510
Total Assets	117,312,706	151,166,406	268,479,112
Deferred Outflows of Resources			
Deferred pension resources	5,858,311	806,501	6,664,812
Deferred other postemployment benefit resources	220,406	62,528	282,934
Total Deferred Outflows of Resources	6,078,717	869,029	6,947,746
Liabilities			
Accounts and contracts payable	1,535,647	4,426,842	5,962,489
Due to other governments	1,780	276,911	278,691
Accrued interest payable	171,980	85,694	257,674
Salaries payable	256,818	122,851	379,669
Customer deposits payable	42,748	210,150	252,898
Unearned revenue	818,834	1,225,789	2,044,623
Noncurrent liabilities			
Due within one year			
Long-term liabilities	2,204,991	1,688,000	3,892,991
Due in more than one year			
Long-term liabilities	17,997,434	19,773,482	37,770,916
Net pension liability	9,707,013	2,719,705	12,426,718
Other postemployment benefit resources	1,095,927	310,909	1,406,836
Total Liabilities	33,833,172	30,840,333	64,673,505
Deferred Inflows of Resources			
Deferred pension resources	321,353	62,108	383,461
Deferred other postemployment benefit resources	308,098	87,406	395,504
Deferred lease resources	287,356	-	287,356
Total Deferred Inflows of Resources	916,807	149,514	1,066,321
Net Position			
Net investment in capital assets	72,343,180	71,174,206	143,517,386
Restricted			
Debt service	3,374,193	-	3,374,193
Tax increment financing	77,185	-	77,185
Sales tax projects	2,690,005	-	2,690,005
Unrestricted	10,156,881	49,871,382	60,028,263
Total Net Position	\$ 88,641,444	\$ 121,045,588	\$ 209,687,032

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,857,980	\$ 417,300	\$ 92,780	\$ -
Public safety	5,133,978	53,837	339,730	-
Public works	3,722,567	87,655	285,786	1,011,161
Culture and recreation	2,637,543	367,852	323,081	-
Conservation and development	1,046,934	179,979	-	-
Interest and fiscal charges	392,592	-	-	-
Total Governmental Activities	<u>14,791,594</u>	<u>1,106,623</u>	<u>1,041,377</u>	<u>1,011,161</u>
Business-Type Activities				
Water	3,017,013	4,201,679	2,685	-
Municipal wastewater	2,210,040	2,717,506	3,209	-
Electric	20,273,915	22,234,476	4,127	-
Industrial wastewater facility	2,497,235	2,324,897	-	-
Storm water management	553,928	728,140	182	-
Street lighting	46,664	269,268	-	-
Liquor	4,802,620	5,221,880	2,071	-
Airport	918,470	175,263	87,772	241,821
Cable television	125,045	121,650	-	-
Total Business-type Activities	<u>34,444,930</u>	<u>37,994,759</u>	<u>100,046</u>	<u>241,821</u>
Totals Primary Government	<u>\$ 49,236,524</u>	<u>\$ 39,101,382</u>	<u>\$ 1,141,423</u>	<u>\$ 1,252,982</u>
General Revenues				
Property taxes, levied for general purposes				
Property taxes, levied for specific purposes				
Property taxes, levied for debt service				
Tax increments				
Hotel-motel taxes				
City sales tax				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings (loss)				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, January 1				
Prior Period Adjustment (Note 10)				
Net Position, December 31				

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,347,900)		\$ (1,347,900)
(4,740,411)		(4,740,411)
(2,337,965)		(2,337,965)
(1,946,610)		(1,946,610)
(866,955)		(866,955)
(392,592)		(392,592)
<u>(11,632,433)</u>		<u>(11,632,433)</u>
	1,187,351	1,187,351
	510,675	510,675
	1,964,688	1,964,688
	(172,338)	(172,338)
	174,394	174,394
	222,604	222,604
	421,331	421,331
	(413,614)	(413,614)
	<u>(3,395)</u>	<u>(3,395)</u>
	<u>3,891,696</u>	<u>3,891,696</u>
<u>(11,632,433)</u>	<u>3,891,696</u>	<u>(7,740,737)</u>
5,381,125	-	5,381,125
198,031	-	198,031
72,096	-	72,096
394,471	-	394,471
182,333	-	182,333
1,294,258	-	1,294,258
55,292	-	55,292
4,077,199	-	4,077,199
(160,928)	(1,009,400)	(1,170,328)
84,237	-	84,237
40,850	-	40,850
1,000,165	<u>(1,000,165)</u>	-
<u>12,619,129</u>	<u>(2,009,565)</u>	<u>10,609,564</u>
986,696	1,882,131	2,868,827
87,911,883	119,163,457	207,075,340
<u>(257,135)</u>	<u>-</u>	<u>(257,135)</u>
<u>\$ 88,641,444</u>	<u>\$ 121,045,588</u>	<u>\$ 209,687,032</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Worthington, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

		211	229	231
	General	WRH	Recreation	Economic Development Authority
Assets				
Cash and investments	\$ 5,292,048	\$ 1,897,745	\$ 20,985	\$ 336,004
Receivables				
Accrued interest	12,116	11,830	-	524
Delinquent taxes	29,703	-	12,137	2,154
Accounts	58,774	172	5,000	5,827
Loans (net of allowance)	-	1,093,152	-	-
Leases	-	-	246,111	41,914
Special assessments	8,539	-	-	-
Intergovernmental	2,376,141	-	28,640	-
Due from other funds	1,904,054	26,357	-	-
Advances to other funds	719,417	7,397,000	-	-
Inventories	67,900	-	-	-
Prepaid items	96,928	-	15,366	3,443
Total Assets	\$ 10,565,620	\$ 10,426,256	\$ 328,239	\$ 389,866
Liabilities				
Accounts payable	\$ 467,024	\$ -	\$ 283,306	\$ 55,576
Contracts payable	-	-	-	-
Deposits payable	-	-	75	-
Due to other funds	-	-	1,146,433	-
Advance from other funds	-	-	-	4,247,000
Due to other governments	-	-	1,748	-
Salaries payable	223,895	-	18,815	-
Deposits payable	42,673	-	-	-
Unearned revenue	818,834	-	-	-
Total Liabilities	1,552,426	-	1,450,377	4,302,576
Deferred Inflows of Resources				
Unavailable revenue				
Special assessments	8,539	-	-	-
Property taxes	29,703	-	12,137	2,154
Deferred lease resources	-	-	245,509	41,847
Total Deferred Inflows of Resources	38,242	-	257,646	44,001
Fund Balances				
Nonspendable	884,245	-	15,366	3,443
Restricted	-	-	-	-
Committed	3,330,903	10,426,256	455,223	-
Assigned	1,046,893	-	-	-
Unassigned	3,712,911	-	(1,850,373)	(3,960,154)
Total Fund Balances	8,974,952	10,426,256	(1,379,784)	(3,956,711)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,565,620	\$ 10,426,256	\$ 328,239	\$ 389,866

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

Debt Service Fund	401 Improvement Construction	431 Aquatic Center Facility	Other Governmental Funds	Total Governmental Funds
\$ 2,475,698	\$ 1,581,862	\$ 275,431	\$ 5,357,168	\$ 17,236,941
3,661	5,507	-	22,121	55,759
12,367	4,507	854	2,241	63,963
2,122	-	-	7,093	78,988
-	-	-	545,989	1,639,141
-	-	-	-	288,025
1,057,161	-	-	-	1,065,700
-	347,765	-	131,470	2,884,016
-	-	-	-	1,930,411
-	-	-	1,600,000	9,716,417
-	-	-	-	67,900
646	3,208	-	5,124	124,715
<u>\$ 3,551,655</u>	<u>\$ 1,942,849</u>	<u>\$ 276,285</u>	<u>\$ 7,671,206</u>	<u>\$ 35,151,976</u>
\$ -	\$ 44,597	\$ 1,880	\$ 169,437	\$ 1,021,820
-	204,576	288,410	-	492,986
-	-	-	-	75
4,501	-	734,788	44,689	1,930,411
-	-	4,750,000	68,084	9,065,084
-	-	-	32	1,780
981	1,720	-	3,751	249,162
-	-	-	-	42,673
-	-	-	-	818,834
<u>5,482</u>	<u>250,893</u>	<u>5,775,078</u>	<u>285,993</u>	<u>13,622,825</u>
1,057,161	-	-	-	1,065,700
12,367	4,507	854	2,241	63,963
-	-	-	-	287,356
<u>1,069,528</u>	<u>4,507</u>	<u>854</u>	<u>2,241</u>	<u>1,417,019</u>
646	3,208	-	5,124	912,032
2,475,999	-	-	3,266,122	5,742,121
-	-	-	3,676,882	17,889,264
-	1,684,241	-	498,461	3,229,595
-	-	(5,499,647)	(63,617)	(7,660,880)
<u>2,476,645</u>	<u>1,687,449</u>	<u>(5,499,647)</u>	<u>7,382,972</u>	<u>20,112,132</u>
<u>\$ 3,551,655</u>	<u>\$ 1,942,849</u>	<u>\$ 276,285</u>	<u>\$ 7,671,206</u>	<u>\$ 35,151,976</u>

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

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

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

Total Fund Balances - Governmental Funds	\$ 20,112,132
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	91,600,419
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(18,865,000)
Unamortized bond premium, net of amortization	(424,276)
Other postemployment benefits obligation	(1,041,401)
Net pension liability	(9,501,635)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes	63,963
Special assessments	1,065,700
Governmental funds do not report a liability for accrued interest until due and payable.	(171,980)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	5,797,408
Deferred inflows of pension resources	(316,663)
Deferred outflows of other postemployment benefit resources	209,440
Deferred inflows of other postemployment benefit resources	(292,769)
Internal service funds are used by management to charge the costs of insurance and various services to individual funds. The assets and liabilities of the internal services funds are included in governmental activities in the statement of net position.	<u>406,106</u>
Total Net Position - Governmental Activities	<u><u>\$ 88,641,444</u></u>

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

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

		211	229	231
	General	WRH	Recreation	Economic Development Authority
Revenues				
Taxes	\$ 2,822,903	\$ -	\$ 1,077,587	\$ 190,588
Special assessments	489	-	-	-
Licenses and permits	212,657	-	-	-
Intergovernmental	4,553,809	-	37,419	21
Charges for services	279,652	-	301,330	80,993
Fines and forfeits	46,212	-	-	-
Investment income (loss)	(67,845)	82,318	(3,056)	(7,579)
Miscellaneous	193,209	12,876	4,481	91,446
Total Revenues	<u>8,041,086</u>	<u>95,194</u>	<u>1,417,761</u>	<u>355,469</u>
Expenditures				
Current				
General government	1,939,990	15,328	-	-
Public safety	4,709,515	-	-	-
Public works	1,005,915	-	-	-
Culture and recreation	212,035	-	1,348,297	-
Conservation and development	280,554	-	210,798	227,450
Capital outlay				
General government	460,963	-	-	-
Public safety	246,891	-	-	-
Public works	147,103	-	-	-
Culture and recreation	-	-	2,291,974	-
Conservation and development	20,315	-	-	158,786
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>9,023,281</u>	<u>15,328</u>	<u>3,851,069</u>	<u>386,236</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(982,195)</u>	<u>79,866</u>	<u>(2,433,308)</u>	<u>(30,767)</u>
Other Financing Sources (Uses)				
Sale of capital assets	15,581	-	-	202,171
Transfers in	1,245,137	225,625	-	28,482
Transfers out	(46,908)	-	-	(202,171)
Total Other Financing Sources (Uses)	<u>1,213,810</u>	<u>225,625</u>	<u>-</u>	<u>28,482</u>
Net Change in Fund Balances	231,615	305,491	(2,433,308)	(2,285)
Fund Balances, January 1	9,700,735	10,120,765	1,056,117	(3,953,770)
Prior Period Adjustment (Note 10)	<u>(957,398)</u>	<u>-</u>	<u>(2,593)</u>	<u>(656)</u>
Fund Balances, December 31	<u>\$ 8,974,952</u>	<u>\$ 10,426,256</u>	<u>\$ (1,379,784)</u>	<u>\$ (3,956,711)</u>

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

Debt Service Fund	401 Improvement Construction	431 Aquatic Center Facility	Other Governmental Funds	Totals
\$ 1,101,175	\$ 401,264	\$ 75,514	\$ 1,887,503	\$ 7,556,534
270,961	-	-	-	271,450
-	-	-	-	212,657
121	855,637	282,875	21,672	5,751,554
-	-	-	51,276	713,251
-	-	-	-	46,212
(55,052)	(19,616)	(7,436)	(82,662)	(160,928)
-	4,991	-	7,656	314,659
<u>1,317,205</u>	<u>1,242,276</u>	<u>350,953</u>	<u>1,885,445</u>	<u>14,705,389</u>
-	-	-	-	1,955,318
-	-	-	-	4,709,515
87,134	-	-	-	1,093,049
-	-	-	322,825	1,883,157
-	-	-	66,930	785,732
-	-	-	-	460,963
-	-	-	-	246,891
-	4,366,084	-	-	4,513,187
-	-	3,162,889	46,364	5,501,227
-	-	-	268,679	447,780
1,515,000	-	-	-	1,515,000
444,520	-	-	-	444,520
<u>2,046,654</u>	<u>4,366,084</u>	<u>3,162,889</u>	<u>704,798</u>	<u>23,556,339</u>
<u>(729,449)</u>	<u>(3,123,808)</u>	<u>(2,811,936)</u>	<u>1,180,647</u>	<u>(8,850,950)</u>
-	-	-	-	217,752
604,593	-	-	2,329,478	4,433,315
-	-	-	(2,934,071)	(3,183,150)
<u>604,593</u>	<u>-</u>	<u>-</u>	<u>(604,593)</u>	<u>1,467,917</u>
(124,856)	(3,123,808)	(2,811,936)	576,054	(7,383,033)
2,416,365	4,800,500	(2,687,337)	6,808,301	28,261,676
185,136	10,757	(374)	(1,383)	(766,511)
<u>\$ 2,476,645</u>	<u>\$ 1,687,449</u>	<u>\$ (5,499,647)</u>	<u>\$ 7,382,972</u>	<u>\$ 20,112,132</u>

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

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

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

Net Change in Fund Balances - Governmental Funds	\$ (7,383,033)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	10,636,589
Depreciation expense	(3,556,559)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position	
Book value of disposed of capital assets	(176,902)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	1,515,000
Bonds premiums amortization	34,185
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	17,743
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	21,072
Special assessments	(212,774)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefits cost	64,910
Long-term pension activity is not reported in governmental funds.	
Pension expense	107,421
Direct aid contributions	84,217
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	(165,173)
Change in Net Position - Governmental Activities	<u>\$ 986,696</u>

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

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,789,972	\$ 2,789,972	\$ 2,822,903	\$ 32,931
Special assessments	-	-	489	489
Licenses and permits	288,975	288,975	212,657	(76,318)
Intergovernmental	4,727,624	4,727,624	4,553,809	(173,815)
Charges for services	328,211	328,211	279,652	(48,559)
Fines and forfeits	45,000	45,000	46,212	1,212
Investment income (loss)	51,007	51,007	(67,845)	(118,852)
Miscellaneous				
Contributions and donations	-	-	7,500	7,500
Refunds	-	-	15,058	15,058
Other	29,850	29,850	170,651	140,801
Total Revenues	<u>8,260,639</u>	<u>8,260,639</u>	<u>8,041,086</u>	<u>(219,553)</u>
Expenditures				
Current				
General government	2,270,883	2,406,577	1,939,990	466,587
Public safety	4,869,728	4,869,728	4,709,515	160,213
Public works	980,662	980,662	1,005,915	(25,253)
Culture and recreation	115,255	115,255	212,035	(96,780)
Conservation and development	222,379	222,379	280,554	(58,175)
Capital outlay				
General government	354,000	887,866	460,963	426,903
Public safety	239,800	276,069	246,891	29,178
Public works	332,927	332,927	147,103	185,824
Conservation and development	-	-	20,315	(20,315)
Total Expenditures	<u>9,385,634</u>	<u>10,091,463</u>	<u>9,023,281</u>	<u>1,068,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,124,995)</u>	<u>(1,830,824)</u>	<u>(982,195)</u>	<u>848,629</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	15,581	15,581
Transfers in	1,283,916	1,283,916	1,245,137	(38,779)
Transfers out	(46,792)	(432,648)	(46,908)	385,740
Total Other Financing Sources (Uses)	<u>1,237,124</u>	<u>851,268</u>	<u>1,213,810</u>	<u>362,542</u>
Net Change in Fund Balances	112,129	(979,556)	231,615	1,211,171
Fund Balances, January 1	9,700,735	9,700,735	9,700,735	-
Prior Period Adjustment (Note 10)	<u>(957,398)</u>	<u>(957,398)</u>	<u>(957,398)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 8,855,466</u>	<u>\$ 7,763,781</u>	<u>\$ 8,974,952</u>	<u>\$ 1,211,171</u>

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

City of Worthington, Minnesota
WRH
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment income (loss)	\$ 103,350	\$ 103,350	\$ 82,318	\$ (21,032)
Miscellaneous revenues				
Other	10,000	10,000	12,876	2,876
Total Revenues	113,350	113,350	95,194	(18,156)
Expenditures				
Current				
General government				
Other services and charges	15,328	15,328	15,328	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,022	98,022	79,866	(18,156)
Other Financing Sources (Uses)				
Transfers in	23,396	23,396	225,625	202,229
Net Change in Fund Balances	121,418	121,418	305,491	184,073
Fund Balances, January 1	10,120,765	10,120,765	10,120,765	-
Fund Balances, December 31	<u>\$ 10,242,183</u>	<u>\$ 10,242,183</u>	<u>\$ 10,426,256</u>	<u>\$ 184,073</u>

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

City of Worthington, Minnesota
Recreation
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,077,747	\$ 1,077,747	\$ 1,077,587	\$ (160)
Intergovernmental				
Federal	-	-	33,300	33,300
State	30,000	30,000	119	(29,881)
County	-	-	4,000	4,000
Charges for services	238,800	238,800	301,330	62,530
Investment income (loss)	11,000	11,000	(3,056)	(14,056)
Miscellaneous revenues				
Contributions and donations	5,000	5,000	-	(5,000)
Refunds	-	-	4,478	4,478
Other	4,400	4,400	3	(4,397)
Total Revenues	<u>1,366,947</u>	<u>1,366,947</u>	<u>1,417,761</u>	<u>50,814</u>
Expenditures				
Current				
Culture and recreation				
Personal services	595,809	595,809	589,323	6,486
Supplies	138,300	138,300	252,593	(114,293)
Other services and charges	338,783	338,783	506,381	(167,598)
Conservation and development				
Personal services	110,840	110,840	175,945	(65,105)
Supplies	20,800	20,800	13,430	7,370
Other services and charges	28,600	28,600	21,423	7,177
Capital outlay				
Culture and recreation	938,660	1,037,794	2,291,974	(1,254,180)
Total Expenditures	<u>2,171,792</u>	<u>2,270,926</u>	<u>3,851,069</u>	<u>(1,580,143)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(804,845)	(903,979)	(2,433,308)	(1,529,329)
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>81,334</u>	<u>-</u>	<u>(81,334)</u>
Net Change in Fund Balances	(804,845)	(822,645)	(2,433,308)	(1,610,663)
Fund Balances, January 1	1,056,117	1,056,117	1,056,117	-
Prior Period Adjustment (Note 10)	<u>-</u>	<u>-</u>	<u>(2,593)</u>	<u>(2,593)</u>
Fund Balances, December 31	<u>\$ 251,272</u>	<u>\$ 233,472</u>	<u>\$ (1,379,784)</u>	<u>\$ (1,613,256)</u>

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

City of Worthington, Minnesota
Economic Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 191,504	\$ 191,504	\$ 190,588	\$ (916)
Intergovernmental				
State	-	-	21	21
Charges for services	30,915	30,915	80,993	50,078
Investment income (loss)	750	750	(7,579)	(8,329)
Miscellaneous revenues				
Refunds	40,500	40,500	8,542	(31,958)
Other	12,000	12,000	82,904	70,904
Total Revenues	<u>275,669</u>	<u>275,669</u>	<u>355,469</u>	<u>79,800</u>
Expenditures				
Current				
Economic Development				
Supplies	950	950	311	639
Other services and charges	274,719	274,719	227,139	47,580
Capital outlay	-	-	158,786	(158,786)
Total Expenditures	<u>275,669</u>	<u>275,669</u>	<u>386,236</u>	<u>(110,567)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(30,767)</u>	<u>(30,767)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	202,171	202,171
Transfers out	-	-	(202,171)	(202,171)
Transfers in	-	-	28,482	28,482
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,482</u>	<u>28,482</u>
Net Change in Fund Balances	-	-	(2,285)	(2,285)
Fund Balances, January 1	(3,953,770)	(3,953,770)	(3,953,770)	-
Prior Period Adjustment (Note 10)	<u>(656)</u>	<u>(656)</u>	<u>(656)</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ (3,954,426)</u></u>	<u><u>\$ (3,954,426)</u></u>	<u><u>\$ (3,956,711)</u></u>	<u><u>\$ (2,285)</u></u>

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

City of Worthington, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	601	602	604	Other Business-type Activities	Total	Governmental Activities- Internal Service Funds
	Water	Municipal Wastewater	Electric			
Assets						
Current Assets						
Cash and investments	\$ 9,976,232	\$ 14,598,042	\$ 20,919,260	\$ 6,678,876	\$ 52,172,410	\$ 1,646,091
Receivables						
Accrued interest	20,256	28,446	39,894	13,566	102,162	1,651
Accounts	391,981	321,204	2,232,421	332,436	3,278,042	-
Intergovernmental	-	-	-	345,375	345,375	-
Inventories	-	-	-	688,188	688,188	-
Prepaid items	34,096	21,950	37,651	22,282	115,979	17,953
Total Current Assets	<u>10,422,565</u>	<u>14,969,642</u>	<u>23,229,226</u>	<u>8,080,723</u>	<u>56,702,156</u>	<u>1,665,695</u>
Noncurrent Assets						
Capital assets at cost						
Land	101,065	75,702	300,717	1,219,334	1,696,818	-
Intangibles	3,071,544	-	128,266	-	3,199,810	-
Construction in progress	626,011	20,861,340	3,662,657	1,571,429	26,721,437	-
Buildings and other improvements	31,063,361	24,153,077	33,847,884	43,912,602	132,976,924	-
Machinery and equipment	449,147	467,606	2,583,792	1,494,705	4,995,250	128,793
Vehicles	299,279	495,248	352,961	83,033	1,230,521	-
Less accumulated depreciation	(13,095,510)	(18,214,512)	(19,670,962)	(24,866,119)	(75,847,103)	(96,756)
Total Noncurrent Assets	<u>22,514,897</u>	<u>27,838,461</u>	<u>21,205,315</u>	<u>23,414,984</u>	<u>94,973,657</u>	<u>32,037</u>
Total Assets	<u>32,937,462</u>	<u>42,808,103</u>	<u>44,434,541</u>	<u>31,495,707</u>	<u>151,675,813</u>	<u>1,697,732</u>
Deferred Outflows of Resources						
Deferred pension resources	181,768	217,222	279,366	128,145	806,501	60,903
Deferred other postemployment benefit resources	7,292	8,456	30,278	16,502	62,528	10,966
Total Deferred Outflows of Resources	<u>189,060</u>	<u>225,678</u>	<u>309,644</u>	<u>144,647</u>	<u>869,029</u>	<u>71,869</u>
Liabilities						
Current Liabilities						
Accounts payable	154,148	667,582	3,079,156	498,211	4,399,097	20,841
Contracts payable	27,745	-	-	-	27,745	-
Advances from other funds - current portion	-	-	-	158,029	158,029	-
Due to other governments	2,194	-	68,627	206,090	276,911	-
Accrued interest payable	-	72,404	-	13,290	85,694	-
Salaries payable	29,535	29,883	43,306	20,127	122,851	7,656
Deposits payable	28,920	29,680	151,550	-	210,150	-
Unearned revenue	-	-	1,216,603	9,186	1,225,789	-
Compensated absences payable	-	-	-	-	-	544,991
G.O. revenue bonds payable	200,000	1,423,000	-	65,000	1,688,000	-
Total Current Liabilities	<u>442,542</u>	<u>2,222,549</u>	<u>4,559,242</u>	<u>969,933</u>	<u>8,194,266</u>	<u>573,488</u>
Noncurrent Liabilities						
Compensated absences payable	-	-	-	-	-	368,158
Advances from other funds	-	-	-	493,304	493,304	-
G.O. revenue bonds payable	780,000	18,103,482	-	890,000	19,773,482	-
Net pension liability	612,964	732,522	942,088	432,131	2,719,705	205,378
Other postemployment benefits obligation	36,257	42,045	150,554	82,053	310,909	54,526
Total Noncurrent Liabilities	<u>1,429,221</u>	<u>18,878,049</u>	<u>1,092,642</u>	<u>1,897,488</u>	<u>23,297,400</u>	<u>628,062</u>
Total Liabilities	<u>1,871,763</u>	<u>21,100,598</u>	<u>5,651,884</u>	<u>2,867,421</u>	<u>31,491,666</u>	<u>1,201,550</u>
Deferred Inflows of Resources						
Deferred pension resources	13,998	16,728	21,513	9,869	62,108	4,690
Deferred other postemployment benefit resources	10,193	11,820	42,325	23,068	87,406	15,329
Total Deferred Inflows of Resources	<u>24,191</u>	<u>28,548</u>	<u>63,838</u>	<u>32,937</u>	<u>149,514</u>	<u>20,019</u>
Net Position						
Net investment in capital assets	21,462,591	7,708,004	19,543,627	22,459,984	71,174,206	32,037
Unrestricted	9,767,977	14,196,631	19,484,836	6,280,012	49,729,456	515,995
Total Net Position	<u>\$ 31,230,568</u>	<u>\$ 21,904,635</u>	<u>\$ 39,028,463</u>	<u>\$ 28,739,996</u>	<u>120,903,662</u>	<u>\$ 548,032</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					141,926	
Net Position of Business-type Activities					<u>\$ 121,045,588</u>	

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

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

	601	602	604	Other Business-type Activities	Total	Governmental Activities- Internal Service Funds
	Water	Municipal Wastewater	Electric			
Operating Revenues						
Charges for services	\$ 4,150,076	\$ 2,640,570	\$ 21,138,113	\$ 8,826,680	\$ 36,755,439	\$ 663,795
Cost of goods sold	-	-	-	(3,874,946)	(3,874,946)	-
Miscellaneous	44,501	74,402	1,092,339	11,411	1,222,653	188,642
Total Operating Revenues	<u>4,194,577</u>	<u>2,714,972</u>	<u>22,230,452</u>	<u>4,963,145</u>	<u>34,103,146</u>	<u>852,437</u>
Operating Expenses						
Personal services	673,598	635,622	754,725	427,378	2,491,323	183,315
Employee benefits	179,419	365,236	312,286	267,411	1,124,352	132,112
Supplies	136,420	196,116	99,189	1,130,643	1,562,368	33,637
Professional services	1,110,929	518,287	18,094,882	1,982,041	21,706,139	356,526
Depreciation	872,738	389,245	1,044,091	1,205,165	3,511,239	9,411
Total Operating Expenses	<u>2,973,104</u>	<u>2,104,506</u>	<u>20,305,173</u>	<u>5,012,638</u>	<u>30,395,421</u>	<u>715,001</u>
Operating Income (Loss)	<u>1,221,473</u>	<u>610,466</u>	<u>1,925,279</u>	<u>(49,493)</u>	<u>3,707,725</u>	<u>137,436</u>
Nonoperating Revenues (Expenses)						
Intergovernmental						
Federal grants	-	-	-	495	495	-
State grants	-	-	-	87,637	87,637	3,350
Investment income (loss)	(186,053)	(280,405)	(412,879)	(130,063)	(1,009,400)	6,809
Miscellaneous	9,787	5,743	8,151	4,900	28,581	-
Interest and fiscal charges	(54,667)	(119,828)	(438)	(62,398)	(237,331)	-
Total Nonoperating Revenues (Expenses)	<u>(230,933)</u>	<u>(394,490)</u>	<u>(405,166)</u>	<u>(99,429)</u>	<u>(1,130,018)</u>	<u>10,159</u>
Income (Loss) Before Contributions and Transfers	<u>990,540</u>	<u>215,976</u>	<u>1,520,113</u>	<u>(148,922)</u>	<u>2,577,707</u>	<u>147,595</u>
Capital Grants and Contributions	-	-	-	241,821	241,821	-
Transfers In	11,727	11,727	165,000	-	188,454	-
Transfers Out	-	-	(748,619)	(440,000)	(1,188,619)	(250,000)
Change in Net Position	<u>1,002,267</u>	<u>227,703</u>	<u>936,494</u>	<u>(347,101)</u>	<u>1,819,363</u>	<u>(102,405)</u>
Net Position, January 1	<u>30,228,301</u>	<u>21,676,932</u>	<u>38,091,969</u>	<u>29,087,097</u>	<u>119,084,299</u>	<u>650,437</u>
Net Position, December 31	<u>\$ 31,230,568</u>	<u>\$ 21,904,635</u>	<u>\$ 39,028,463</u>	<u>\$ 28,739,996</u>	<u>\$ 120,903,662</u>	<u>\$ 548,032</u>
Changes in net position as shown above					\$ 1,819,363	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>62,768</u>	
Changes in net position of business-type activities					<u>\$ 1,882,131</u>	

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

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

	601	602	604	Other Business-type Activities	Total	Governmental Activities- Internal Service Funds
	Water	Municipal Wastewater	Electric			
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 4,131,018	\$ 2,579,615	\$ 21,922,155	\$ 4,738,891	\$ 33,371,679	\$ -
Receipts from interfund services provided	-	-	-	-	-	663,795
Payments to vendors and suppliers	(1,234,048)	(745,145)	(18,213,368)	(3,189,991)	(23,382,552)	(377,647)
Payments to and on behalf of employees	(719,936)	(870,345)	(1,098,709)	(562,381)	(3,251,371)	(258,979)
Other receipts	54,288	80,145	1,100,490	16,311	1,251,234	189,764
Net Cash Provided (Used) by Operating Activities	<u>2,231,322</u>	<u>1,044,270</u>	<u>3,710,568</u>	<u>1,002,830</u>	<u>7,988,990</u>	<u>216,933</u>
Cash Flows From Noncapital Financing Activities						
Grants received	-	-	-	88,132	88,132	3,350
Increase (decrease) in advances to other funds	-	-	-	(154,930)	(154,930)	-
Transfers from other funds	11,727	11,727	165,000	-	188,454	-
Transfers to other funds	-	-	(748,619)	(440,000)	(1,188,619)	(250,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,727</u>	<u>11,727</u>	<u>(583,619)</u>	<u>(506,798)</u>	<u>(1,066,963)</u>	<u>(246,650)</u>
Cash Flows From Capital and Related Financing Activities						
Proceeds from bonds issued, net	-	16,751,054	-	-	16,751,054	-
Capital grants and contributions received	-	-	-	5,530	5,530	-
Principal paid on bonds and leases	(190,000)	(701,821)	-	(65,000)	(956,821)	-
Interest and fiscal charges paid on bonds and leases	(54,667)	(47,424)	(438)	(49,108)	(151,637)	-
Payments for acquisition and construction of capital assets	(1,669,652)	(16,625,970)	(3,680,275)	(491,632)	(22,467,529)	(9,182)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,914,319)</u>	<u>(624,161)</u>	<u>(3,680,713)</u>	<u>(600,210)</u>	<u>(6,819,403)</u>	<u>(9,182)</u>
Cash Flows From Investing Activities						
Interest receipts (losses)	<u>(192,196)</u>	<u>(287,919)</u>	<u>(421,216)</u>	<u>(133,401)</u>	<u>(1,034,732)</u>	<u>6,307</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>136,534</u>	<u>143,917</u>	<u>(974,980)</u>	<u>(237,579)</u>	<u>(932,108)</u>	<u>(32,592)</u>
Cash and Cash Equivalents, January 1	<u>9,839,698</u>	<u>14,454,125</u>	<u>21,894,240</u>	<u>6,916,455</u>	<u>53,104,518</u>	<u>1,678,683</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 9,976,232</u></u>	<u><u>\$ 14,598,042</u></u>	<u><u>\$ 20,919,260</u></u>	<u><u>\$ 6,678,876</u></u>	<u><u>\$ 52,172,410</u></u>	<u><u>\$ 1,646,091</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 1,221,473	\$ 610,466	\$ 1,925,279	\$ (49,493)	\$ 3,707,725	\$ 137,436
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income related to operations	9,787	5,743	8,151	4,900	28,581	-
Depreciation	872,738	389,245	1,044,091	1,205,165	3,511,239	9,411
(Increase) decrease in assets						
Accounts receivable	(18,143)	(60,035)	(390,945)	(202,875)	(671,998)	-
Inventories	-	-	-	(73,694)	(73,694)	-
Prepaid items	1,110	(7,390)	(8,688)	7,079	(7,889)	(5,539)
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	7,326	31,188	196,465	8,130	243,109	777
Deferred other postemployment benefit resources	(2,115)	(4,547)	(13,490)	(8,236)	(28,388)	(5,012)
Increase (decrease) in liabilities						
Accounts payable	12,373	(23,318)	(18,896)	955	(28,886)	18,055
Due to other governments	(182)	(34)	8,287	(11,647)	(3,576)	-
Salaries payable	3,637	2,641	2,915	1,231	10,424	939
Compensated absences payable	-	-	-	-	-	(14,560)
Other postemployment benefits obligation	(3,190)	5,771	64,390	39,866	106,837	22,224
Net pension liability	364,880	406,616	317,815	253,344	1,342,655	124,456
Customer deposits payable	(915)	(920)	5,543	-	3,708	-
Unearned revenue	-	-	1,169,444	(9,968)	1,159,476	-
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	(240,455)	(317,544)	(618,788)	(173,509)	(1,350,296)	(78,309)
Deferred other postemployment benefit resources	2,998	6,388	18,995	11,582	39,963	7,055
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,231,322</u></u>	<u><u>\$ 1,044,270</u></u>	<u><u>\$ 3,710,568</u></u>	<u><u>\$ 1,002,830</u></u>	<u><u>\$ 7,988,990</u></u>	<u><u>\$ 216,933</u></u>
Schedule of Noncash Financing and Investing Activities						
Capital assets acquired on account	<u>\$ 72,306</u>	<u>\$ 603,975</u>	<u>\$ 1,661,688</u>	<u>\$ -</u>	<u>\$ 2,337,969</u>	<u>\$ -</u>

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

City of Worthington, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Custodial Funds
Assets	
Cash and investments	\$ 169,749
Receivables	
Accounts	119,476
Total Assets	<u>289,225</u>
Liabilities	
Accounts payable	115,236
Due to other governments	7,727
Due to other funds	17,005
Total Liabilities	<u>139,968</u>
Net Position	
Restricted	
Individuals, organizations, endowments and other governments	<u>\$ 149,257</u>

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

City of Worthington, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	<u>Custodial Funds</u>
Additions	
Charges for services	\$ 1,248,026
Miscellaneous	<u>16,378</u>
Total Additions	1,264,404
Deductions	
Other services and charges	<u>1,360,900</u>
Net Increase (Decrease) in Fiduciary Net Position	(96,496)
Net Position, January 1	<u>245,753</u>
Net Position, December 31	<u><u>\$ 149,257</u></u>

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

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

Note 1: Summary of Significant Accounting Policies

The financial statements of the City of Worthington, Minnesota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City of Worthington is a municipal corporation formed under Section 412 of *Minnesota State Statutes* and operates under an elected Mayor and five-member Council. The Council and Mayor are elected on rotating terms in each even-numbered year. The accompanying financial statements present the government entities for which the City is considered to be financially accountable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

The *WRH fund* accounts for the activity surrounding the use of money obtained from the sale of the City-owned hospital. The revenue sources for the WRH fund are investment earnings and recapture payments from past due accounts that had previously been written off.

The *Recreation fund* accounts for the operations and maintenance of the City's recreational facilities programs including all City-owned parks, playgrounds and swimming beaches. The revenue sources for the recreation fund are general property taxes, charges for services, interest earnings, rebates and forfeited shelter deposits.

The *Economic Development Authority fund* accounts for the operations and maintenance of the City's Industrial Park. Financing is provided by general property taxes.

The *Debt Service fund* accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The *Improvement Construction fund* accounts for major capital expenditures for the street paving management program of the City.

The *Aquatic Center Facility fund* accounts for the activity for the existing aquatic center as well as the construction of the new aquatic center.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Water fund* is used to account for activities related to the operation of a water distribution system.

The *Municipal Wastewater fund* is used to account for activities related to the operation of a wastewater distribution system.

The *Electric fund* is used to account for activities related to the operation of electric generation and distribution systems.

Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods and services provided by one department of the City, to other departments on a cost reimbursement basis. Internal service fund activities include data processing, safety promotion loss control, vacation and sick accrual and health insurance plan.

Fiduciary funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City's Custodial fund accounts for activities of Olson Water, Garbage Collection and Waste Management Collection.

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

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 revenues of the City's enterprise funds and of the City's 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 first use restricted resources, and then unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned 3) unassigned.

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

Deposits and Investments

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

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

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

The broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of these funds is the same as the fair value of the shares.

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 quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 89 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury notes and government agency securities of \$37,253,324 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$4,066,458 are valued using a matrix pricing model (Level 2 inputs)

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

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Policy

Interest rate risk. In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than nine months.

Credit risk. Both the Minnesota Statutes and the City Council approve of the following investment instruments:

- a. Direct or guaranteed U.S. Government obligations;
- b. Interest bearing deposits and certificates of deposits.

Custodial risk. The City does not presently have a custodial credit risk policy. All of the City's investments are adequately collateralized according to State statutes.

Other investment instruments which are approved by the Minnesota Statutes and the City Council, but have not been purchased by the City, follow:

- a. General obligations of the State of Minnesota or Minnesota municipalities;
- b. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less;
- c. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers;
- d. Futures contracts sold under authority of Minnesota Statutes 471.56, subdivision 5;
- e. Federal agency or instrumentality issues
- f. Federally registered investment companies whose only investments are in direct or guaranteed U.S. Government obligations and/or Federal agency or instrumentality issues.

Property Taxes

City Council adopts a proposed budget and certifies its proposed property tax levy for the following year in September. Public hearings are held and the final property tax levy is adopted. The City certifies the final adopted property taxes to the Nobles County Auditor in December.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Taxpayers in two equal installments, on May 15 and October 15, may pay real property taxes. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other local governmental units three times annually, in January, July and December.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022.

Loans to Other Funds, Loans Receivable and Loans to Other Governments

Noncurrent portions of long-term interfund loan receivables, loans receivable and loans to other governments are equally offset by a fund balance nonspendable account in applicable governmental funds to indicate that they do not constitute available spendable resources.

Special Assessments

Special assessments are levied against benefiting properties of the cost of a portion of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years as approved by City Council resolution. Collection of annual installments (including interest) is handled by the County Auditor same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

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

Special assessments receivable consist of unportioned, delinquent, and noncurrent special assessments. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventories held for resale are reported at the lower of cost or market on the first-in, first-out (FIFO) method and inventories of supplies which are reported at cost.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water pipes, sewer pipes, and similar items and networks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

	Water, Electric and Municipal Wastewater	All Other
Land	\$ 1,000	\$ 5,000
Land Improvements	1,000	5,000
Buildings and Building Improvements	1,000	5,000
Machinery, Equipment and Vehicles	1,000	5,000
Infrastructure	1,000	5,000
Other Assets	1,000	5,000
Easements	100,000	100,000

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the City, as well as the component units, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Infrastructure	30 - 50
Improvements other than buildings	10 - 50
Buildings and structures	20 - 50
Machinery and equipment	5 - 35
Furniture and fixtures	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Compensated Absences

According to City policy, unused paid time off (PTO) is payable upon termination of employment. PTO payments are made at the employee's current wage rate. The City pays the vested extended sick leave bank (ESLB) amount per contract to an employee upon termination. Retiring employees have the option to use accrued PTO as vested hours for post-retirement benefits. Compensated absences reported in this fund are fully funded by the Vacation and Sick Accrual fund.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2021. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Worthington Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP), Defined Contribution Plan (DCP) and Worthington Fire Department Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERP	PEPFP	DCP		
City's proportionate share	\$ 729,521	\$ 526,079	\$ 2,559	\$ (19,760)	\$ 1,238,399
Proportionate share of State's contribution	23,628	59,003	-	-	82,631
Total pension expense	<u>\$ 753,149</u>	<u>\$ 585,082</u>	<u>\$ 2,559</u>	<u>\$ (19,760)</u>	<u>\$ 1,321,030</u>

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position and fund financial statements 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions. Additionally, deferred lease resources are reported as deferred inflows resulting from lease amortization calculation.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact.

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

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

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the year commencing the following January. The operating budget includes proposed expenditures and means of financing them.
2. The budget is legally enacted through the passage of a City Council Resolution.
3. The City Council may authorize the transfer of budgeted amounts between departments within any fund.
4. Formal budgetary integration is employed as a management control device during the year for the General fund and certain special revenue funds. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for capital projects funds is accomplished through the use of project controls.
5. Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with City Charter requirements. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically infer that it will be expended. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessitated, and (3) funds are available.

The City Council adopts the annual budget. During the budget year, supplemental appropriations are authorized by the City Council. These amounts, shown in the financial statements as "Original Budget", represent the originally adopted budget and that labeled "Final Budget" includes all amendments made during the year by the City Council. Budget amendments were made to various funds resulting in increases in appropriations to the General fund of \$705,829, to the Recreation special revenue fund of \$99,134, to the Memorial Auditorium special revenue fund of \$12,000, to the Sales Tax Revenue special revenue fund of \$97,260, and to the Event Center special revenue fund of \$34,071.

The General fund operating budget includes an account for contingencies. The City Council may authorize, by resolution, a budget transfer from this contingency account to an area that is expected to overspend their budget.

Budgets for the General and certain special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. Excess of Expenditures Over Appropriations

The following budgeted special revenue fund had expenditures in excess of budget for the year ended December 31, 2022:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Recreation	\$ 2,270,926	\$ 3,851,069	\$ 1,580,143
Economic Development Authority	275,669	386,236	110,567

Excess expenditures in the above fund will be funded excess revenues and available fund balance.

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

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

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

Fund	Amount
Governmental Funds	
Major	
Recreation	\$ 1,379,784
Economic Development Authority	3,956,711
Aquatic Center Facility	5,499,647
Nonmajor	
Capital Projects	
CCSI Redevelopment	44,481
Northland Mall TIF #16	3,416
Cemstone Redevelopment TIF #19	15,720
Proprietary Funds	
Nonmajor	
Cable Television	1,895

It is anticipated that the Recreation deficit will be eliminated through future charges for services revenues and tax levies.

It is anticipated that the Economic Development Authority deficit will be eliminated through future revenue and tax levies.

It is anticipated that the Aquatic Center Facility deficit will be eliminated through future Sale Tax revenues.

It is anticipated that the CCSI Redevelopment, Northland Mall TIF #16, and Cemstone Redevelopment TIF #19 deficits will be funded through future tax increments.

It is anticipated that the Cable Television deficit will be eliminated by future charges for services revenues.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

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

Note 3: Detailed Notes on All Funds (Continued)

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

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

At year-end, the City's carrying amount of deposits was \$16,528,721, including \$169,749 reported in fiduciary funds. The bank balance was \$18,660,550. The bank balance was covered by federal depository insurance of \$810,100 and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits and investments are pooled.

Investments

As of December 31, 2022 the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 1 year	\$ 13,372,488		
Non-pooled Investments at Fair Value					
Government Agency Securities	AA+	less than 1 year	8,761,100	\$ 8,761,100	\$ -
Government Agency Securities	AA+	more than 5 years	25,500,375	25,500,375	-
U.S. Treasury Notes	Aaa	less than 1 year	2,991,849	2,991,849	-
Negotiable Certificates of Deposit	Aaa	more than 5 years	4,066,458	-	4,066,458
Total Investments			\$ 54,692,270	\$ 37,253,324	\$ 4,066,458

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

There were no Level 3 investments in current year and therefore was not necessary to include.

N/A indicates not applicable or available.

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

Note 3: Detailed Notes on All Funds (Continued)

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risk. Specific risk information for the City is as follows:

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments to the list on page 78 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2022, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investment.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$4,200.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government	Fiduciary Funds	Totals
Deposits	\$ 16,358,972	\$ 169,749	\$ 16,528,721
Investments	54,692,270	-	54,692,270
Cash on Hand	4,200	-	4,200
 Total	 <u>\$ 71,055,442</u>	 <u>\$ 169,749</u>	 <u>\$ 71,225,191</u>

B. Loans Receivable

Specific special revenue funds make installment loans to promote economic development within the City. Balances of economic development loans for the year ended December 31, 2022 are as follows:

Fund	Amount
Primary Government	
Special Revenue	
WRH	\$ 1,093,152
Small Cities Grant	920,000
Wgtn EDA	245,989
Allowance for forgivable loans	(620,000)
 Total Governmental Activities	 <u>\$ 1,639,141</u>

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

Note 3: Detailed Notes on All Funds (Continued)

The WRH fund has two outstanding loans receivable. The loan to Southwest Mental Health has an interest rate of 2.0% and matures March 1, 2043. The loan to MN West Housing matures February 1, 2042 and has an interest rate of 2.0%.

The Small Cities Grant fund has four outstanding loans receivable. All payments are deferred until maturity which ranges from 2040-2043. Each loan has 0% interest rate.

The City has ten outstanding loans through the Wgtn EDA. These loans are to businesses to promote economic development in the City. Each has their own amortization schedule with varying interest and maturity dates.

C. Leases Receivable

The City leases various buildings out to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in in 2027. Long-term lease activity for the year ended December 31, 2022 was as follows:

Description	Issue Date	Discount Rate	Current Year Infow of Resources	Balance at Year End
Bison-Holdings, LLC Building	01/01/19	0.38 %	\$ 42,000	\$ 41,914
The Movie Guy, Inc Building	03/01/22	0.74	50,000	246,111
Total				<u>\$ 288,025</u>

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

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

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

	Beginning Balance As Restated	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 5,837,976	\$ 176,025	\$ (57,027)	\$ 5,956,974
Intangible assets	134,607	-	-	134,607
Construction in progress	18,319,787	9,078,707	(9,752,537)	17,645,957
Total Capital Assets not Being Depreciated	<u>24,292,370</u>	<u>9,254,732</u>	<u>(9,809,564)</u>	<u>23,737,538</u>
Capital Assets Being Depreciated				
Buildings and structures	28,990,901	2,930,742	-	31,921,643
Improvements	6,888,434	3,081,752	(47,858)	9,922,328
Machinery and equipment	7,084,411	662,862	(267,965)	7,479,308
Furniture and fixtures	433,610	29,334	(31,677)	431,267
Other capital assets	316,648	-	-	316,648
Infrastructure	61,396,223	4,438,886	-	65,835,109
Total Capital Assets Being Depreciated	<u>105,110,227</u>	<u>11,143,576</u>	<u>(347,500)</u>	<u>115,906,303</u>
Less Accumulated Depreciation for				
Buildings and structures	(8,444,374)	(920,544)	-	(9,364,918)
Improvements	(1,472,152)	(265,133)	684	(1,736,601)
Machinery and equipment	(4,297,767)	(531,001)	197,244	(4,631,524)
Furniture and fixtures	(410,336)	(17,761)	29,697	(398,400)
Other capital assets	(250,101)	(11,137)	-	(261,238)
Infrastructure	(29,798,310)	(1,820,394)	-	(31,618,704)
Total Accumulated Depreciation	<u>(44,673,040)</u>	<u>(3,565,970)</u>	<u>227,625</u>	<u>(48,011,385)</u>
Total Capital Assets Being Depreciated, Net	<u>60,437,187</u>	<u>7,577,606</u>	<u>(119,875)</u>	<u>67,894,918</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,729,557</u>	<u>\$ 16,832,338</u>	<u>\$ (9,929,439)</u>	<u>\$ 91,632,456</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,696,818	\$ -	\$ -	\$ 1,696,818
Intangible assets	3,199,810	-	-	3,199,810
Construction in progress	9,980,070	21,520,910	(4,779,543)	26,721,437
Total Capital Assets not Being Depreciated	14,876,698	21,520,910	(4,779,543)	31,618,065
Capital Assets Being Depreciated				
Buildings and structures	34,739,708	885,663	(78,533)	35,546,838
Improvements	90,281,742	7,148,344	-	97,430,086
Machinery and equipment	5,976,829	30,124	(5,589)	6,001,364
Furniture and fixtures	225,757	-	(1,350)	224,407
Total Capital Assets Being Depreciated	131,224,036	8,064,131	(85,472)	139,202,695
Less Accumulated Depreciation for				
Buildings and structures	(21,471,551)	(609,537)	78,533	(22,002,555)
Improvements	(46,845,776)	(2,584,892)	-	(49,430,668)
Machinery and equipment	(3,952,533)	(309,789)	5,589	(4,256,733)
Furniture and fixtures	(151,476)	(7,021)	1,350	(157,147)
Total Accumulated Depreciation	(72,421,336)	(3,511,239)	85,472	(75,847,103)
Total Capital Assets Being Depreciated, Net	58,802,700	4,552,892	-	63,355,592
Business-type Activities Capital Assets, Net	<u>\$ 73,679,398</u>	<u>\$ 26,073,802</u>	<u>\$ (4,779,543)</u>	<u>\$ 94,973,657</u>

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

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 77,674
Public safety	405,232
Public works	2,053,528
Culture and recreation	776,844
Conservation and development	243,281
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>9,411</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,565,970</u></u>

Business-type Activities

Water	\$ 872,738
Municipal wastewater	389,245
Electric	1,044,091
Storm water management	250,575
Liquor	107,280
Airport	590,963
Industrial wastewater facility	<u>256,347</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 3,511,239</u></u>

Construction Commitments

The City has active construction projects as of December 31, 2022. The projects include building improvements, transportation improvements and solid waste improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Field House Phase I	\$ 1,858,188	\$ 97,800
Field House Phase II	2,318,371	82,020
Olson Park Pedestrian Bridge	84,577	315,697
Oxford Street	29,263	5,004,899
Olson Trail	587,471	73,825
Ryan's Road SAP Bituminous	422,704	23,208
8th Avenue Street & Utility Improvements	936,258	331,148
Cecilee Street Extension	445,860	46,948
Aquatic Center	<u>5,479,799</u>	<u>779,039</u>
Total	<u><u>\$ 12,162,492</u></u>	<u><u>\$ 6,754,583</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

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

Due from/to Other Funds

Receivable Fund	Primary Government	
	Payable Fund	Amount
General	Recreation	\$ 1,146,433
	PIR Series Bonds	4,501
	Aquatic Center Facility	734,788
	Nonmajor governmental	18,332
WRH	Nonmajor governmental	26,357
Total		<u>\$ 1,930,411</u>
Governmental activities - internal balances Business-type activities - internal balances		<u>\$ 509,407</u>

The above interfund balances related to eliminating cash deficits except for the \$26,357 due to the WRH fund which was to provide tax increment financing funded internally for the hotel portion of the Event Center.

Advances from/to Other Funds

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Amount
General	Nonmajor governmental	6.00 %	12/29/06	02/01/34	\$ 68,084
	Nonmajor enterprise	2.00	12/23/20	12/23/26	651,333
WRH	Economic Development Authority	0.00	02/01/20	undetermined	4,247,000
	Aquatic Center Facility	0.00	11/29/21	undetermined	3,150,000
Nonmajor Governmental	Aquatic Center Facility	0.00	08/25/22	undetermined	1,600,000
Totals					<u>\$ 9,716,417</u>

The purpose of the \$68,084 interfund advance is a result of a redevelopment project. As tax increments are collected in future, the General fund will be paid back the amount transferred for project costs.

The interfund advance for \$651,333 from the General fund to the Liquor fund (nonmajor enterprise) is due to the purchase of a building as well as remodeling the building for the new liquor store, which will be paid back over ten years.

The purpose of the \$4,247,000 interfund advance was for construction of a new theater complex. As revenues and tax levies are collected in the future, the general fund will be paid back the amount transferred for project costs.

The purpose of the \$3,150,000 interfund advance was to fund the Aquatic Center. It will be paid back with future Sale Tax dollars.

The purpose of the \$1,600,000 interfund advance was to fund the Aquatic Center. It will be paid back with future Sale Tax dollars.

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

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

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

Fund	Transfers In								Total
	General	WRH	Economic Development Authority	PIR Series Bonds	Nonmajor Governmental	Water	Municipal Wastewater	Electric	
Transfers Out									
General	\$ -	\$ 23,454	\$ -	\$ -	\$ -	\$ 11,727	\$ 11,727	\$ -	\$ 46,908
Economic Development Authority	-	202,171	-	-	-	-	-	-	202,171
Nonmajor governmental	-	-	-	604,593	2,329,478	-	-	-	2,934,071
Electric	720,137	-	28,482	-	-	-	-	-	748,619
Nonmajor enterprise	275,000	-	-	-	-	-	-	165,000	440,000
Internal Service fund	250,000	-	-	-	-	-	-	-	250,000
Total	<u>\$ 1,245,137</u>	<u>\$ 225,625</u>	<u>\$ 28,482</u>	<u>\$ 604,593</u>	<u>\$ 2,329,478</u>	<u>\$ 11,727</u>	<u>\$ 11,727</u>	<u>\$ 165,000</u>	<u>\$ 4,621,769</u>

During 2022 there were several routine transfers that occurred. The Electric fund (\$720,137) and Liquor fund (\$275,000) transfers to the General fund every year as a transfer in lieu of taxes. The Safety/Promotion Loss Control fund (\$250,000) transfer every year to help offset the city's tax levy.

During 2022, three non-routine transfers occurred. The first non-routine transfer occurred in the WRH fund (\$202,171), the transfer was for the repayment of loan proceeds for sale of multiple parcels of land. The second non-routine transfer occurred in the Economic Development Authority fund (\$28,482) for the development of a housing subdivision. The final non-routine transfer was in the Private Development Assistance Spending Plan fund (\$2,329,478), the transfer was for the funding of potential future private development of various housing and business building rehabilitations in downtown Worthington brought about by legislative actions.

F. Long-term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General Obligation Bonds

The following bonds were issued to provide funding for various street reconstruction projects, street improvement projects, and improvements to City facilities. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. PIR Series 2010A	\$ 1,890,000	2.00 - 4.00 %	12/14/10	02/01/26	\$ 240,000
G.O. PIR Series 2012A	2,570,000	1.00 - 2.25	12/19/12	02/01/28	265,000
G.O. PIR Series 2016A	3,150,000	2.00 - 2.50	08/30/16	02/01/33	2,385,000
G.O. Series 2019A	9,595,000	2.25 - 4.00	10/17/19	02/01/35	8,480,000
Total G.O. Bonds					<u>\$ 11,370,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for all general obligation bonds are as follows:

Year Ending December 31	G.O. Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,145,000	\$ 269,415	\$ 1,414,415
2024	1,025,000	232,170	1,257,170
2025	1,065,000	200,683	1,265,683
2026	870,000	175,270	1,045,270
2027	825,000	151,845	976,845
2028 - 2032	4,270,000	471,599	4,741,599
2033 - 2035	2,170,000	68,076	2,238,076
Total	<u>\$ 11,370,000</u>	<u>\$ 1,569,058</u>	<u>\$ 12,939,058</u>

General Obligation Revenue Bonds

The City also issues bonds where the government pledges income derived from the charges for the services to pay debt service. Revenue bonds have been issued for governmental activities.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sales Tax Revenue of 2020A	\$ 7,970,000	1.05 - 2.00 %	11/12/20	02/01/35	<u>\$ 7,495,000</u>

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

Year Ending December 31	G.O. Sales Tax Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 515,000	\$ 119,218	\$ 634,218
2024	525,000	108,818	633,818
2025	535,000	98,218	633,218
2026	545,000	87,418	632,418
2027	560,000	76,367	636,367
2028 - 2032	2,950,000	232,187	3,182,187
2033 - 2035	1,865,000	42,048	1,907,048
Total	<u>\$ 7,495,000</u>	<u>\$ 764,274</u>	<u>\$ 8,259,274</u>

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

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Notes

The City issues general obligation notes where the government pledges income derived from the charges for the services to pay debt service. Revenue bonds have been issued for business-type activities.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Midwest Consortium Of Municipal Utilities (Water) Note	\$ 3,105,000	4.06 %	05/24/07	06/01/27	\$ 980,000
Wastewater Revenue of 2021A (1)	30,322,820	1.00	08/05/21	08/20/41	19,526,482
Total Notes Payable					<u>\$ 20,506,482</u>

(1) Difference in balance is due to undrawn proceeds of \$10,094,518 from the note as of December 31, 2022.

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

Year Ending December 31	Notes Payable Business-type Activities		
	Principal	Interest	Total
2023	\$ 1,623,000	\$ 341,747	\$ 1,964,747
2024	1,648,000	317,971	1,965,971
2025	1,672,000	293,569	1,965,569
2026	1,696,000	268,559	1,964,559
2027	1,601,000	242,093	1,843,093
2028 - 2032	7,631,000	966,950	8,597,950
2033 - 2037	8,020,000	577,700	8,597,700
2038 - 2041	6,710,000	168,600	6,878,600
Total	<u>\$ 30,601,000</u>	<u>\$ 3,177,189</u>	<u>\$ 33,778,189</u>

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water and Wastewater funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Wastewater	Stormwater Management
Revenues	\$ 4,194,577	\$ 2,714,972	\$ 728,140
Principal and Interest	244,667	749,245	97,983
Percentage of Revenues	5.8%	27.6%	13.5%

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 12,410,000	\$ -	\$ (1,040,000)	\$ 11,370,000	\$ 1,145,000
General Obligation Sales					
Tax Revenue Bonds	7,970,000	-	(475,000)	7,495,000	515,000
Unamortized Bond Premiums	458,733	-	(34,225)	424,508	-
Unamortized Bond Discounts	(272)	-	40	(232)	-
Total Bonds Payable	<u>20,838,461</u>	<u>-</u>	<u>(1,549,185)</u>	<u>19,289,276</u>	<u>1,660,000</u>
Compensated Absences Payable	<u>927,709</u>	<u>188,918</u>	<u>(203,478)</u>	<u>913,149</u>	<u>544,991</u>
Governmental Activity Long-term Liabilities	<u>\$ 21,766,170</u>	<u>\$ 188,918</u>	<u>\$ (1,752,663)</u>	<u>\$ 20,202,425</u>	<u>\$ 2,204,991</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General Obligation					
Revenue Bonds	\$ 1,020,000	\$ -	\$ (65,000)	\$ 955,000	\$ 65,000
Notes Payable	<u>4,647,249</u>	<u>16,751,054</u>	<u>(891,821)</u>	<u>20,506,482</u>	<u>1,623,000</u>
Business-type Activity Long-term Liabilities	<u>\$ 5,667,249</u>	<u>\$ 16,751,054</u>	<u>\$ (956,821)</u>	<u>\$ 21,461,482</u>	<u>\$ 1,688,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2022, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	WRH	Recreation	Economic Development Authority	PIR Series Bonds	Improvement Construction	Aquatic Center Facility	Other Governmental Funds	Total
Nonspendable									
Prepaid items	\$ 96,928	\$ -	\$ 15,366	\$ 3,443	\$ 646	\$ 3,208	\$ -	\$ 5,124	\$ 124,715
Inventories	67,900	-	-	-	-	-	-	-	67,900
Advance to other funds	719,417	-	-	-	-	-	-	-	719,417
Total Nonspendable	\$ 884,245	\$ -	\$ 15,366	\$ 3,443	\$ 646	\$ 3,208	\$ -	\$ 5,124	\$ 912,032
Restricted									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 2,475,999	\$ -	\$ -	\$ -	\$ 2,475,999
Sales tax projects	-	-	-	-	-	-	-	2,690,005	2,690,005
Tax increment financing	-	-	-	-	-	-	-	77,185	77,185
Housing	-	-	-	-	-	-	-	498,932	498,932
Total Restricted	\$ -	\$ -	\$ -	\$ -	\$ 2,475,999	\$ -	\$ -	\$ 3,266,122	\$ 5,742,121
Committed									
Equipment revolving	\$ 3,130,903	\$ -	\$ 395,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,525,969
Emergency disaster	200,000	-	-	-	-	-	-	-	200,000
Economic development	-	-	-	-	-	-	-	3,558,731	3,558,731
Memorial auditorium	-	-	-	-	-	-	-	118,151	118,151
Community development	-	10,426,256	-	-	-	-	-	-	10,426,256
Olson Park	-	-	8,695	-	-	-	-	-	8,695
PV development	-	-	51,462	-	-	-	-	-	51,462
	\$ 3,330,903	\$ 10,426,256	\$ 455,223	\$ -	\$ -	\$ -	\$ -	\$ 3,676,882	\$ 17,889,264
Assigned									
Police programs	\$ 189,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,997
Capital projects	34,430	-	-	-	-	1,684,241	-	483,303	2,201,974
Union Pacific Railroad	12,000	-	-	-	-	-	-	-	12,000
Redevelopment	429,451	-	-	-	-	-	-	-	429,451
Lake improvement	362,168	-	-	-	-	-	-	-	362,168
Event center	-	-	-	-	-	-	-	15,158	15,158
Senior dining	12,706	-	-	-	-	-	-	-	12,706
Education (building official)	6,141	-	-	-	-	-	-	-	6,141
Total Assigned	\$ 1,046,893	\$ -	\$ -	\$ -	\$ -	\$ 1,684,241	\$ -	\$ 498,461	\$ 3,229,595
Unassigned	\$ 3,712,911	\$ -	\$ (1,850,373)	\$ (3,960,154)	\$ -	\$ -	\$ (5,499,647)	\$ (63,617)	\$ (7,660,880)

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

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

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

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

Police and Fire Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$387,993, \$381,160 and \$376,935, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.79 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021 and 2020 were \$346,233, \$349,062 and \$320,557, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City of Worthington reported a liability of \$5,393,542 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 \$158,130. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0681 percent which was a decrease of 0.0018 percent from its proportion measured as of June 30, 2021.

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

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

City's Proportionate Share of the Net Pension Liability	\$ 5,393,542
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>158,130</u>
Total	<u><u>\$ 5,551,672</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$729,521 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$23,628 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 45,051	\$ 59,154
Changes in Actuarial Assumptions	1,251,945	22,581
Net Difference Between Projected and Actual Earnings on Plan Investments	44,698	-
Changes in Proportion	62,040	41,432
Contributions Paid to PERA Subsequent to the Measurement Date	<u>195,666</u>	<u>-</u>
Total	<u><u>\$ 1,599,400</u></u>	<u><u>\$ 123,167</u></u>

The \$195,666 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 509,946
2024	472,895
2025	(190,038)
2026	487,764

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$6,962,568 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1600 percent which was a 0.0010 percent decrease from its proportion measured June 30, 2021.

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

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

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$526,079 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$59,003 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$59,003 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 427,536	\$ 8,177
Changes in Actuarial Assumptions	4,129,054	68,504
Net Difference Between Projected and Actual Earnings on Plan Investments	82,712	-
Changes in Proportion	53,079	124,622
Contributions Paid to PERA Subsequent to the Measurement Date	178,603	-
Total	<u>\$ 4,870,984</u>	<u>\$ 201,303</u>

The \$178,603 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 852,191
2024	867,972
2025	755,408
2026	1,436,207
2027	579,300

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

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

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Assumptions

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

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

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

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

G. Discount Rate

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

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

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

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

H. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 8,519,383	\$ 5,393,542	\$ 2,829,871
	1 Percent Decrease (4.40%)	Current (5.10%)	1 Percent Increase (6.40%)
Police and Fire Fund	10,536,954	6,962,568	4,072,891

I. Pension Plan Fiduciary Net Position

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

Note 5: Public Employees Defined Contribution Plan

The mayor and five council members of the City of Worthington are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The DCP 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. 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,559	\$ 2,559	5.00%	5.00%	5.00%

The City and council member's contributions to the DCP plan for the years ending December 31, 2022, 2021 and 2020 were \$2,559, \$2,422 and \$2,425, respectively.

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All Fire Relief Association members of the Worthington Fire Department (the Department) are covered by a defined benefit plan administered by the Worthington Fire Department Relief Association (the Association). As of December 31, 2022, the plan covered 31 active firefighters, 11 retired participants and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69 and 424.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$49,566 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2022 were \$49,566. The City made voluntary contributions to the plan of \$35,974. The firefighter has no obligation to contribute to the plan.

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2022, the City reported a net pension liability (asset) of \$70,608 for the plan. The net pension liability (asset) was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA, Inc. applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a-b)</u>
Beginning Balance January 1, 2022	\$ 1,032,151	\$ 1,100,568	\$ (68,417)
Changes for the Year			
Service cost	40,991	-	40,991
Interest cost	50,992	-	50,992
Nonemployer contributions	-	85,540	(85,540)
Net investment income	-	(132,582)	132,582
Benefit payments	(106,620)	(106,620)	-
Total Net Changes	(14,637)	(153,662)	139,025
Ending Balance December 31, 2022	<u>\$ 1,017,514</u>	<u>\$ 946,906</u>	<u>\$ 70,608</u>

For the year ended December 31, 2022, the City recognized negative pension expense of \$19,760 for the plan.

At December 31, 2022, the City reported deferred inflows of resources and deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 36,646	\$ 6,236
Changes in Actuarial Assumptions	8,116	2,561
Net Difference Between Projected and Actual Earnings on Plan Investments	149,666	50,194
Total	<u>\$ 194,428</u>	<u>\$ 58,991</u>

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

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

2023	\$	14,479
2024		37,410
2025		38,596
2026		39,199
2027		2,739
Thereafter		3,014

E. Actuarial Assumptions

The total pension liability at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at Age 50 With 20 Years of Service	
Salary Increases	N/A
Inflation	2.50% per year
Investment Rate of Return	5.00%
20 Year Municipal Bond Yield	N/A

The following changes in assumptions occurred in 2022:

- The mortality table used to measure funding liability has been changed from PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2019 to PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2021. This results in an decrease in liability and normal cost.

The following changes in benefit terms occurred in 2022:

- The lump sum benefits have been updated to \$2,979 and \$361 as of January 1, 2021. This results in an increase in liability and normal cost.

The 5.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.0 %	5.07 %
International Equity	20.0	5.17
Domestic Fixed Income	10.0	0.98
Commodities	5.0	2.05
Alternative	5.0	2.73
Cash	25.0	(0.25)
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

G. Pension Liability Sensitivity

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

	1 Percent Decrease (4.00%)	Current (5.00%)	1 Percent Increase (6.00%)
Defined Benefit Plan	\$ 119,265	\$ 70,608	\$ 25,233

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Worthington Fire Department Relief Association, 830 2nd Ave, Worthington, MN 56187.

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

Note 7: Post-Employment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	3
Active Plan Members	94
	<hr/>
Total Plan Members	97
	<hr/> <hr/>

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2022, the City had no direct contributions to the Plan.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$1,406,836 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2021. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.31%
20-Year Municipal Bond Yield	4.31%
Dental Rate	N/A
Inflation Rate	2.25%
Salary Increases	N/A
Medical Trend Rate	7.5% grading to 4.50% over 7 years

The discount rate used to measure the total OPEB liability was 4.31 percent. 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 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the SOA-2010 Headcount Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2022 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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

Note 7: Post-Employment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning Balance January 1, 2022	<u>\$ 1,382,471</u>
Changes for the Year	
Service cost	94,778
Interest	32,877
Assumption changes	(244,681)
Differences between expected and actual experience	173,628
Benefit payments	<u>(32,237)</u>
Total Net Changes	<u>24,365</u>
Ending Balance December 31, 2022	<u><u>\$ 1,406,836</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current full valuation uses a discount rate of 2.25% as of January 1, 2022 and 4.31% as of December 31, 2022. This change caused a significant decrease in the City's liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
- Termination, disability, retirement, and salary increase rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General employees and Police as of July 1, 2021. This change in aggregate caused a slight increase in liabilities.
- The mortality improvement scale applied to all mortality tables has been updated from MP-2020 to MP-2021. This change caused a slight increase in liabilities.
- Health care trend rates have been set to an initial rate of 7.5% for fiscal 2023 decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused an increase in liabilities.

In addition, claims costs and premiums were updated for 2023, which caused a significant increase in liabilities. The main driver of the increase is using the new employee plus one coverage tier instead of family coverage to determine spouse contribution rates. Updated census data caused a decrease in liabilities.

Since the prior measurement date, there were no changes in benefit terms.

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

Note 7: Post-Employment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

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 that is one percentage point lower (3.31 percent) or one percentage-point higher (5.31 percent) than the current discount rate:

1 Percent Decrease (3.31%)	Current (4.31%)	1 Percent Increase (5.31%)
\$ 1,544,375	\$ 1,406,836	\$ 1,281,257

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 Healthcare Cost Trend Rates that is one percentage point lower (6.50 percent decreasing to 3.50 percent) or one percentage-point higher (8.50 percent increasing to 5.50 percent) than the current cost trend rate:

1 Percent Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1 Percent Increase (8.5% Decreasing to 5.5%)
\$ 1,232,972	\$ 1,406,836	\$ 1,612,560

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$77,769. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 154,336	\$ 130,895
Changes in Actuarial Assumptions	128,598	264,609
Total	<u>\$ 282,934</u>	<u>\$ 395,504</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	
2023	\$ (17,651)
2024	(17,651)
2025	(17,651)
2026	(17,648)
2027	(9,239)
Thereafter	(32,730)

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

Note 8: Other Information

A. Risk Management

The City has an internal service fund called safety promotion/loss control. This fund was set up to account and finance the City's uninsured risk of loss. The risk of loss is as follows:

- The amount of the deductible
- Specific property items, which are of low risk for damage, that are uninsured. (This property list is included in the insurance manual)
- This fund will absorb the annual fluctuations in the cost of workers compensation.
- This fund is to be used to promote health, safety and fitness. Ten percent of insurance refunds, which are receipted into this fund, are set aside to promote health and safety.
- This fund is to be used for purchases of security-type equipment for City buildings.

All funds of the City participate in this program and make a payment to the safety promotions/loss control fund based on the amount of savings each fund incurred by the selection of the higher deductible amount.

Due to a couple high health insurance claim years, the City opted out of being partially self-funded and joined in a State of Minnesota Health Insurance Plan known as Public Employees Insurance Program (PEIP). The City renews on a calendar year basis, which allows for better timing when budgeting subsequent year's premium changes. The City offers employees three plans, including a high-deductible plan, which results in lower overall costs to the City. For 2022, the City had substantial premium increases (31.0%) overall to all three plans.

B. Contingent Liabilities

Commitments for current and future capital projects have been assigned in their respective funds as of December 31, 2022. Financial resources are available to fund the total amount of unexpended authorizations.

The City is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the City's results of operations. The City is not currently involved in any suits.

C. Joint Ventures

Cable 3 Television

The City and Independent School District (ISD) 518, Worthington, entered into a joint powers agreement for the purpose of operating Worthington Cable 3 Television Public Access Channel. The City shall remit to the Board all franchise fees and subscriber payments which are collected by two local cable companies pursuant to the franchise agreement between the City and respective cable companies. The amount remitted approximates the amount budgeted by the Board and no material surplus or deficits exists or is anticipated. Audited financial state were not available for Cable 3 television for the year ending December 31, 2022. However, internal statements were issued and reflected a positive financial position at year-end. There were no related party transactions for the year.

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

Note 8: Other Information (Continued)

Public Transportation

The City and Nobles County entered into a joint powers' agreement for purposes of jointly and cooperatively operating, administering, promoting and managing public transportation within Nobles County, including the City of Worthington. The governing body shall consist of two Council members and the Administrator of the City of Worthington, and two Commissions and the Administrator of Nobles County. In addition, one additional at-large member will be appointed by the aforesaid members. The City retains no equity position in the joint venture. There were no audited financial statement available for the year ended December 31, 2022.

D. Post-Employment Benefits

Several employee groups have signed up for the Health Care Savings Plan through the Minnesota State Retirement System.

The City allows employees to stay on its group health insurance after retirement until they reach Medicare age. The retired employees are responsible for paying 100% of their premiums. The City had one retiree on its plan at the end of 2022. However, the City's carrier indicated the retirees had no impact on the rate for renewal. Therefore, the City does not have any post-employment liability recorded in the financials.

The City does not have any liabilities for health insurance premiums as of December 31, 2022.

Note 9: Tax Abatements

As of December 31, 2022, the City has six agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

TIF District No. 11 was established in 2005 for the purpose of administration and site preparation costs or a twenty-four unit apartment complex. Under the agreement, up to \$539,600 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2022, the City generated \$28,281 of tax increment revenue and made payments on the pay-as-you-go note of \$8,300. The note's balance at year end was \$238,774.

TIF District No., 12 was established in 2006 for the purpose of administration and site preparation costs or a twenty-one lot single family housing development. Under the agreement, up to \$1,100,000 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2022, the City generated \$45,281 of tax increment revenue and made payments on the pay-as-you-go note of \$37,736. The note's balance at year end was \$68,084.

TIF District No. 14 was established in 2010 for the purpose of constructing a 30 townhome housing project. Under the agreement, up to \$600,496 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2022, the City generated \$2,451 of tax increment revenue and made payments on the pay-as-you-go note of \$1,789. The note's balance at year end was \$453,924.

TIF District No. 15 was established in 2012 for the purpose of constructing a 76 unit hotel. Under the agreement, up to \$609,438 of development costs will be reimbursed through tax increment over an 8 year period. During the year ended December 31, 2022, the City generated \$94,858 of tax increment revenue and made payments on the pay-as-you-go note of \$65,301. The note's balance at year end was \$453,924.

TIF District No. 16 was established in 2016 to account for the activity related to the redevelopment of the former Northland Mall site and development of a mixed-use project in the City. Under the agreement, up to \$8,278,201 of development costs will be reimbursed through tax increment over a 26 year period. During the year ended December 31, 2022, the City generated \$204,045 of tax increment revenue and made payments on the pay-as-you-go note of \$35,184. The note's balance at year end was \$693,070.

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

Note 9: Tax Abatements (Continued)

TIF District No. 17 was established in 2018 for the purpose of construction approximately 48 units of rental housing in the City of Worthington. Under the agreement, up to \$1,371,774 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2022, the City generated \$3,006 of tax increment revenue and made payments on the pay-as-you-go note of \$0. The note's balance at year end was \$436,250.

TIF District No. 18 was established in 2020 for the purpose of redeveloping and renovating the former Thompson Hotel building for 39 units of rental housing and commercial space in the basement and on the first level. Under the agreement, up to \$2,582,662 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2022, the City generated \$16,550 of tax increment revenue and made payments on the pay-as-you-go note of \$0. The note's balance at year end was \$479,223.

TIF District No. 19 was established in 2022 for the purpose of acquiring property to facilitate the redevelopment of the former Cemstone site and assist with development of a commercial/industrial development in the City and to acquire land, demolish buildings and clean-up of a former gas station. Under the agreement, up to \$2,681,164 of development costs will be reimbursed through tax increment over a 26 year period. During the year ended December 31, 2022, the City generated \$0 of tax increment revenue.

The City also entered in to a tax abatement agreement with Nobles County and Independent School District (ISD) #518, through a program initiated by the Nobles Home Initiative, under Minnesota State Statute 469.1813 Subdivision 8. The program is intended to encourage the construction on new owner occupied and rental residential housing units. Eligible projects are eligible to receive 100% tax abatement of the City's share of the increased real estate taxes resulting from the newly constructed housing unit, for a period of five years. During 2022, taxes abated for thirty-one eligible projects within the City corporate limits was \$32,899. The County and ISD #518 abated \$34,870 and \$16,841, respectively, for the eligible projects.

The City has several abatement agreements established under Minnesota State Statute 469.1812 as follows:

- A Tax Abatement agreement was awarded by the City Council on December 14, 2009. The abatement is for eligible expenditures related to the redevelopment of 607 Tenth Street and was awarded in compliance with the guidelines of the City's Tax Abatement Guidelines. The abatement is for \$13,500 or 10 years, whichever occurs first. As of December 31, 2022, the entity has been given/awarded \$13,109, of which \$2,057 was abated in 2022.
- A Tax Abatement agreement was awarded by the City Council on May 24, 2010. The abatement is for eligible expenditures related to the redevelopment of 511 10th Street and was awarded in compliance with the guidelines of the City's Tax Abatement Guidelines. The abatement is for \$80,000 or 15 years, whichever occurs first. As of December 31, 2022, the entity has been given/awarded \$14,841, of which \$3,298 was abated in 2022.

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

Note 10: Prior Period Adjustment

Prior period adjustments were required to properly state beginning balances.

The following schedule reconciles the previously reported December 31, 2021 balances to the January 1, 2022 financial statement balances:

Fund	Net Position December 31, 2021 as Previously Reported	Prior Period Adjustment (1)	Prior Period Adjustment (2)	Prior Period Adjustment (3)	Prior Period Adjustment (4)	Prior Period Adjustment (5)	Prior Period Adjustment (6)	Net Position January 1, 2022 as Restated
Governmental Activities	<u>\$ 87,911,883</u>	<u>\$ (675,411)</u>	<u>\$ -</u>	<u>\$ 184,781</u>	<u>\$ (10,830)</u>	<u>\$ 244,325</u>	<u>\$ -</u>	<u>\$ 87,654,748</u>
Governmental Funds								
General Fund	\$ 9,700,735	\$ (675,411)	\$ (252,065)	\$ (9,623)	\$ -	\$ -	\$ (20,299)	\$ 8,743,337
Memorial Auditorium	181,423	-	-	-	-	-	(1,383)	180,040
Recreation	1,056,117	-	-	-	5,162	-	(7,755)	1,053,524
Economic Development Authority	(3,953,770)	-	-	-	-	-	(656)	(3,954,426)
Aquatic Center Facility	(2,687,337)	-	-	-	-	-	(374)	(2,687,711)
Debt Service Funds	2,416,365	-	-	194,404	-	-	(9,268)	2,601,501
Improvement Construction	<u>4,800,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,912</u>	<u>-</u>	<u>(3,155)</u>	<u>4,811,257</u>
Total Governmental Funds	<u>\$ 11,514,033</u>	<u>\$ (675,411)</u>	<u>\$ (252,065)</u>	<u>\$ 184,781</u>	<u>\$ 19,074</u>	<u>\$ -</u>	<u>\$ (42,890)</u>	<u>\$ 10,747,522</u>

(1) To record prior year unspent American Rescues Plan Act funds as deferred revenue.

(2) To move previously recorded land held for resale to a fixed asset.

(3) To adjust special assessments receivable.

(4) To correct outstanding retainage and miscellaneous fixed asset corrections.

(5) To properly state beginning balance of accrued interest related to debt.

(6) To properly state property taxes receivable as unavailable.

Note 11: Change in Accounting Principle

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements and had no effect on the beginning net position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0681 %	\$ 5,393,542	\$ 158,130	\$ 5,551,672	\$ 5,100,639	105.7 %	76.7 %
06/30/21	0.0699	2,985,043	91,113	3,076,156	5,032,227	59.3	87.0
06/30/20	0.0701	4,202,815	129,489	4,332,304	4,995,971	84.1	79.1
06/30/19	0.0666	3,654,421	113,495	3,767,916	4,676,883	78.1	80.2
06/30/18	0.0655	3,633,671	119,282	3,752,953	4,406,374	82.5	79.5
06/30/17	0.0693	4,424,066	55,627	4,479,693	4,400,521	100.5	75.9
06/30/16	0.0670	5,400,068	70,971	5,471,039	4,155,119	130.0	68.9
06/30/15	0.0676	3,503,383	-	3,503,383	3,976,365	88.1	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 387,993	\$ 387,993	\$ -	\$ 5,173,236	7.5 %
12/31/21	381,160	381,160	-	5,082,138	7.5
12/31/20	376,935	376,935	-	5,025,795	7.5
12/31/19	364,465	364,465	-	4,589,527	7.9
12/31/18	340,129	340,129	-	4,535,051	7.5
12/31/17	323,530	323,530	-	4,313,435	7.5
12/31/16	330,039	330,039	-	4,400,521	7.5
12/31/15	302,420	302,420	-	4,032,258	7.5

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

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

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

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

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

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

Changes in Plan Provisions

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

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

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

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

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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

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

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.1600 %	\$ 6,962,568	\$ 304,182	\$ 7,266,750	\$ 1,943,774	358.2 %	70.5 %
06/30/21	0.1610	1,241,977	55,825	1,297,802	1,901,750	65.3	93.7
06/30/20	0.1600	2,106,335	49,632	2,155,967	1,804,056	116.8	87.2
06/30/19	0.1730	1,844,954	-	1,844,954	1,827,833	100.9	89.3
06/30/18	0.1650	1,760,862	-	1,760,862	1,741,482	101.1	88.8
06/30/17	0.1670	2,254,699	-	2,254,699	1,703,290	132.4	85.4
06/30/16	0.1660	6,661,869	-	6,661,869	1,598,535	416.7	63.9
06/30/15	0.1600	1,817,974	-	1,817,974	1,466,563	124.0	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 346,233	\$ 346,233	\$ -	\$ 1,956,119	17.7 %
12/31/21	349,062	349,062	-	1,972,099	17.7
12/31/20	320,557	320,557	-	1,811,054	17.7
12/31/19	312,700	312,700	-	1,844,839	16.9
12/31/18	287,398	287,398	-	1,774,064	16.2
12/31/17	273,295	273,295	-	1,687,005	16.2
12/31/16	275,933	275,933	-	1,703,290	16.2
12/31/15	252,712	252,712	-	1,559,947	16.2

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

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

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

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

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

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

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

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

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

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

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability								
Service cost	\$ 40,991	\$ 43,647	\$ 42,763	\$ 51,485	\$ 51,485	\$ 40,709	\$ 40,709	\$ 43,045
Interest	50,992	52,058	58,270	61,583	58,521	56,846	58,681	62,200
Assumption changes	-	828	(2,224)	6,361	(1,787)	(1,135)	34,548	-
Changes of benefit terms	-	-	27,733	25,248	-	22,390	-	11,452
Differences between expected and actual experience	-	23,305	-	(12,476)	-	57,501	-	(75,375)
Benefit payments	(106,620)	(170,405)	(332,924)	(46,560)	(47,388)	(259,774)	(81,516)	(137,221)
Net Change in Total Pension Liability	(14,637)	(50,567)	(206,382)	85,641	60,831	(83,463)	52,422	(95,899)
Total Pension Liability - January 1	1,032,151	1,082,718	1,289,100	1,203,459	1,142,628	1,226,091	1,173,669	1,269,568
Total Pension Liability - December 31 (A)	\$ 1,017,514	\$ 1,032,151	\$ 1,082,718	\$ 1,289,100	\$ 1,203,459	\$ 1,142,628	\$ 1,226,091	\$ 1,173,669
Plan Fiduciary Net Position								
Municipal contributions	-	-	-	1,838	698	2,698	5,817	19,890
Nonemployer contributions	85,540	76,407	77,866	70,080	68,221	70,095	66,101	68,654
Net investment income	(132,582)	87,307	64,443	191,331	(58,563)	202,698	107,910	(36,971)
Benefit payments, including refunds of employee contributions	(106,620)	(170,405)	(332,924)	(46,560)	(47,388)	(259,774)	(81,516)	(137,221)
Administrative expenses	-	-	-	(15,796)	(15,845)	(16,587)	(15,577)	(14,910)
Net Change in Plan Fiduciary Net Position	(153,662)	(6,691)	(190,615)	200,893	(52,877)	(870)	82,735	(100,558)
Plan Fiduciary Net Position - January 1	1,100,568	1,107,259	1,297,874	1,096,981	1,149,858	1,150,728	1,067,993	1,168,551
Plan Fiduciary Net Position - December 31 (B)	\$ 946,906	\$ 1,100,568	\$ 1,107,259	\$ 1,297,874	\$ 1,096,981	\$ 1,149,858	\$ 1,150,728	\$ 1,067,993
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	\$ 70,608	\$ (68,417)	\$ (24,541)	\$ (8,774)	\$ 106,478	\$ (7,230)	\$ 75,363	\$ 105,676
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	93.06%	106.63%	102.27%	100.68%	91.15%	100.63%	93.85%	91.00%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Notes to the Required Supplementary Information - Fire Relief Association's Net Pension Liability (Asset)

Changes in Plan Provisions

2022 - The lump sum and monthly benefits have been updated to \$2,979 and \$361.

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

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios (Continued)

Changes in Assumptions

2022 - The mortality table used to measure funding liability has been changed from PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2019 to PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2021.

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 94,778	\$ 95,685	\$ 84,842	\$ 73,927	\$ 80,180
Interest	32,877	29,733	42,980	48,613	40,360
Assumption changes	(244,681)	(17,347)	111,984	97,096	(75,651)
Differences between expected and actual experience	173,628	(14,727)	(129,160)	(60,001)	-
Benefit payments	(32,237)	(35,158)	(39,526)	(30,379)	(27,871)
Net Change in Total OPEB Liability	24,365	58,186	71,120	129,256	17,018
Total OPEB Liability - January 1	1,382,471	1,324,285	1,253,165	1,123,909	1,106,891
Total OPEB Liability - December 31	\$ 1,406,836	\$ 1,382,471	\$ 1,324,285	\$ 1,253,165	\$ 1,123,909
Covered-Employee Payroll	\$ 7,050,121	\$ 6,641,775	\$ 6,704,225	\$ 6,368,314	\$ 11,803,086
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	19.95%	20.81%	19.75%	19.68%	9.52%

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.*

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

Notes to the Required Supplementary Information - Total OPEB Liability

Changes in Actuarial Assumptions

2022 – The health care trend, termination, disability, retirement, and salary increase rates were updated. The mortality improvement scale was updated. The discount rate was changed from 2.25% to 4.31%.

2021 – The health care trend rates and salary increase rates were updated. The discount rate was changed from 2.12% to 2.25%.

2020 – The health care trend rates, mortality tables, and salary increase rates were updated. The discount rate was changed from 3.26% to 2.12%.

2019 - The discount rate was changed from 4.11% to 3.26%.

2018 - The retirement and turnover tables for all employees were updated. The discount rate changed from 3.44% to 4.11%.

Changes in Benefit Terms

2022 - None noted.

2021 - None noted.

2020 - None noted.

2019 - None noted.

2018 - None noted.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Assets			
Cash and investments	\$ 4,611,666	\$ 745,502	\$ 5,357,168
Receivables			
Accrued interest	17,603	4,518	22,121
Delinquent taxes	2,241	-	2,241
Accounts	5,741	1,352	7,093
Loans (net of allowance)	545,989	-	545,989
Intergovernmental	131,470	-	131,470
Advances to other funds	1,600,000	-	1,600,000
Prepaid items	5,112	12	5,124
	<u>5,112</u>	<u>12</u>	<u>5,124</u>
Total Assets	<u><u>\$ 6,919,822</u></u>	<u><u>\$ 751,384</u></u>	<u><u>\$ 7,671,206</u></u>
Liabilities			
Accounts payable	\$ 25,823	\$ 143,614	\$ 169,437
Due to other funds	1,904	42,785	44,689
Advance from other funds	-	68,084	68,084
Due to other governments	32	-	32
Salaries payable	3,733	18	3,751
Unearned revenue	-	-	-
Total Liabilities	<u>31,492</u>	<u>254,501</u>	<u>285,993</u>
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	2,241	-	2,241
	<u>2,241</u>	<u>-</u>	<u>2,241</u>
Fund Balances			
Nonspendable	5,112	12	5,124
Restricted	3,188,937	77,185	3,266,122
Committed	3,676,882	-	3,676,882
Assigned	15,158	483,303	498,461
Unassigned	-	(63,617)	(63,617)
Total Fund Balances	<u>6,886,089</u>	<u>496,883</u>	<u>7,382,972</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 6,919,822</u></u>	<u><u>\$ 751,384</u></u>	<u><u>\$ 7,671,206</u></u>

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes	\$ 1,493,032	\$ 394,471	\$ 1,887,503
Intergovernmental	21,672	-	21,672
Charges for services	51,276	-	51,276
Investment income (loss)	(92,363)	9,701	(82,662)
Miscellaneous	7,656	-	7,656
Total Revenues	<u>1,481,273</u>	<u>404,172</u>	<u>1,885,445</u>
Expenditures			
Current			
Culture and recreation	322,825	-	322,825
Conservation and development	66,930	-	66,930
Capital outlay			
Culture and recreation	33,654	12,710	46,364
Conservation and development	-	268,679	268,679
Total Expenditures	<u>423,409</u>	<u>281,389</u>	<u>704,798</u>
Excess (Deficiency) of Revenues Over (Under)	<u>1,057,864</u>	<u>122,783</u>	<u>1,180,647</u>
Other Financing Sources (Uses)			
Transfers in	2,329,478	-	2,329,478
Transfers out	(604,593)	(2,329,478)	(2,934,071)
Total Other Financing Sources (Uses)	<u>1,724,885</u>	<u>(2,329,478)</u>	<u>(604,593)</u>
Net Change in Fund Balances	2,782,749	(2,206,695)	576,054
Fund Balances, January 1	4,104,723	2,703,578	6,808,301
Prior Period Adjustment (Note 10)	<u>(1,383)</u>	<u>-</u>	<u>(1,383)</u>
Fund Balances, December 31	<u>\$ 6,886,089</u>	<u>\$ 496,883</u>	<u>\$ 7,382,972</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Memorial Auditorium – Established to account for the operation of the City's Memorial Auditorium.

Small Cities Grant – Established to account for revenues and expenditures for the rehabilitation of commercial property located in downtown Worthington and for residential property located northeast of the downtown area.

Sales Tax Revenue – Established to account for sales, use and excise tax revenues and transfers to capital project related to the sales tax referendum projects. These projects include the addition/remodeling of the Memorial Auditorium and the construction of an Event Center.

Event Center – Established to account for the operation and maintenance of the City's Event Center.

Wgtn EDA – Established to account for the operations and maintenance of the City's Economic Development and special programs administered by the community development project.

Private Development Assistance Spending Plan – Established to provide assistance to private development consisting of the development of a variety of housing to address the City's needs, including, but not limited to, market and workforce housing along with a combination of owner occupied and rental housing. As well as providing assistance to projects in they City's downtown which would rehabilitate the buildings of businesses and meet the City's goals of creating a vibrant downtown.

City of Worthington, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	202	204	213	214	232	233 Private Development Assistance Spending Plan	Total
	Memorial Auditorium	Small Cities Grant	Sales Tax Revenue	Event Center	Wgtn EDA		
Assets							
Cash and investments	\$ 122,609	\$ 184,309	\$ 961,350	\$ 21,848	\$ 1,050,274	\$ 2,271,276	\$ 4,611,666
Receivables							
Accrued interest	190	14,623	-	71	1,980	739	17,603
Delinquent taxes	1,866	-	-	-	375	-	2,241
Accounts	4,382	-	-	-	1,359	-	5,741
Loans (net of allowance)	-	300,000	-	-	245,989	-	545,989
Intergovernmental	2,815	-	128,655	-	-	-	131,470
Advances to other funds	-	-	1,600,000	-	-	-	1,600,000
Prepaid items	3,536	-	-	1,576	-	-	5,112
Total Assets	<u>\$ 135,398</u>	<u>\$ 498,932</u>	<u>\$ 2,690,005</u>	<u>\$ 23,495</u>	<u>\$ 1,299,977</u>	<u>\$ 2,272,015</u>	<u>\$ 6,919,822</u>
Liabilities							
Accounts payable	\$ 8,080	\$ -	\$ -	\$ 4,857	\$ 9,886	\$ 3,000	25,823
Due to other funds	-	-	-	1,904	-	-	1,904
Due to other governments	32	-	-	-	-	-	32
Salaries payable	3,733	-	-	-	-	-	3,733
Total Liabilities	<u>11,845</u>	<u>-</u>	<u>-</u>	<u>6,761</u>	<u>9,886</u>	<u>3,000</u>	<u>31,492</u>
Deferred Inflows of Resources							
Unavailable revenue - taxes	<u>1,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>	<u>-</u>	<u>2,241</u>
Fund Balances							
Nonspendable	3,536	-	-	1,576	-	-	5,112
Restricted	-	498,932	2,690,005	-	-	-	3,188,937
Committed	118,151	-	-	-	1,289,716	2,269,015	3,676,882
Assigned	-	-	-	15,158	-	-	15,158
Total Fund Balances	<u>121,687</u>	<u>498,932</u>	<u>2,690,005</u>	<u>16,734</u>	<u>1,289,716</u>	<u>2,269,015</u>	<u>6,886,089</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 135,398</u>	<u>\$ 498,932</u>	<u>\$ 2,690,005</u>	<u>\$ 23,495</u>	<u>\$ 1,299,977</u>	<u>\$ 2,272,015</u>	<u>\$ 6,919,822</u>

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

	202	204	213	214	232	233 Private Development Assistance Spending Plan	Total
	Memorial Auditorium	Small Cities Grant	Sales Tax Revenue	Event Center	Wgtn EDA		
Revenues							
Taxes							
Property	\$ 166,017	\$ -	\$ -	\$ -	\$ 32,757	-	\$ 198,774
City sales tax	-	-	1,294,258	-	-	-	1,294,258
Intergovernmental							
Federal	-	-	-	21,654	-	-	21,654
State	18	-	-	-	-	-	18
Charges for services							
Culture and recreation	51,276	-	-	-	-	-	51,276
Investment income (loss)	(2,974)	(3,253)	(16,367)	270	(9,576)	(60,463)	(92,363)
Miscellaneous							
Refunds	-	7,540	-	-	-	-	7,540
Other	116	-	-	-	-	-	116
Total Revenues	<u>214,453</u>	<u>4,287</u>	<u>1,277,891</u>	<u>21,924</u>	<u>23,181</u>	<u>(60,463)</u>	<u>1,481,273</u>
Expenditures							
Current							
Culture and recreation	260,806	-	-	62,019	-	-	322,825
Conservation and development	-	-	-	-	66,930	-	66,930
Capital outlay							
Culture and recreation	12,000	-	-	21,654	-	-	33,654
Total Expenditures	<u>272,806</u>	<u>-</u>	<u>-</u>	<u>83,673</u>	<u>66,930</u>	<u>-</u>	<u>423,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,353)</u>	<u>4,287</u>	<u>1,277,891</u>	<u>(61,749)</u>	<u>(43,749)</u>	<u>(60,463)</u>	<u>1,057,864</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	2,329,478	2,329,478
Transfers out	-	-	(604,593)	-	-	-	(604,593)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(604,593)</u>	<u>-</u>	<u>-</u>	<u>2,329,478</u>	<u>1,724,885</u>
Net Change in Fund Balances	(58,353)	4,287	673,298	(61,749)	(43,749)	2,269,015	2,782,749
Fund Balances, January 1	181,423	494,645	2,016,707	78,483	1,333,465	-	4,104,723
Prior Period Adjustment (Note 10)	(1,383)	-	-	-	-	-	(1,383)
Fund Balances, December 31	<u>\$ 121,687</u>	<u>\$ 498,932</u>	<u>\$ 2,690,005</u>	<u>\$ 16,734</u>	<u>\$ 1,289,716</u>	<u>\$ 2,269,015</u>	<u>\$ 6,886,089</u>

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes	\$ 165,775	\$ 165,775	\$ 166,017	\$ 242	\$ 163,879
Intergovernmental					
State	-	-	18	18	19
Charges for services	55,000	55,000	51,276	(3,724)	41,104
Investment income	1,000	1,000	(2,974)	(3,974)	939
Other	-	-	116	116	77
Total Revenues	<u>221,775</u>	<u>221,775</u>	<u>214,453</u>	<u>(7,322)</u>	<u>206,018</u>
Expenditures					
Current					
Culture and recreation					
Personal services	99,942	99,942	107,114	(7,172)	89,567
Supplies	7,100	7,100	20,631	(13,531)	4,825
Other services and charges	114,733	114,733	133,061	(18,328)	101,694
Capital outlay	100,000	112,000	12,000	100,000	-
Total Expenditures	<u>321,775</u>	<u>333,775</u>	<u>272,806</u>	<u>60,969</u>	<u>196,086</u>
Net Change in Fund Balances	(100,000)	(112,000)	(58,353)	53,647	9,932
Fund Balances, January 1	181,423	181,423	181,423	-	171,491
Prior Period Adjustment (Note 10)	<u>(1,383)</u>	<u>(1,383)</u>	<u>(1,383)</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 80,040</u>	<u>\$ 68,040</u>	<u>\$ 121,687</u>	<u>\$ 53,647</u>	<u>\$ 181,423</u>

City of Worthington, Minnesota
Sales Tax Revenue
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			2021
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
City sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,294,258	\$ 1,193,170
Investment income	8,000	8,000	(16,367)	8,323
Total Revenues	<u>1,208,000</u>	<u>1,208,000</u>	<u>1,277,891</u>	<u>1,201,493</u>
Other Financing Sources (Uses)				
Transfers out	<u>(605,068)</u>	<u>(702,328)</u>	<u>(604,593)</u>	<u>(96,785)</u>
Net Change in Fund Balances	602,932	505,672	673,298	1,104,708
Fund Balances, January 1	<u>2,016,707</u>	<u>2,016,707</u>	<u>2,016,707</u>	<u>911,999</u>
Fund Balances, December 31	<u>\$ 2,619,639</u>	<u>\$ 2,522,379</u>	<u>\$ 2,690,005</u>	<u>\$ 2,016,707</u>

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

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Intergovernmental					
Federal	\$ -	\$ -	\$ 21,654	\$ 21,654	\$ -
Investment income	800	800	270	(530)	539
Total Revenues	<u>800</u>	<u>800</u>	<u>21,924</u>	<u>21,124</u>	<u>539</u>
Expenditures					
Current					
Culture and recreation					
Supplies	1,000	1,000	-	1,000	-
Other services and charges	56,450	56,450	62,019	(5,569)	47,082
Capital outlay	-	34,071	21,654	12,417	-
Total Expenditures	<u>57,450</u>	<u>91,521</u>	<u>83,673</u>	<u>7,848</u>	<u>47,082</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,650)	(90,721)	(61,749)	28,972	(46,543)
Other Financing Sources (Uses)					
Transfers in	-	21,655	-	(21,655)	-
Net Change in Fund Balances	(56,650)	(69,066)	(61,749)	7,317	(46,543)
Fund Balances, January 1	<u>78,483</u>	<u>78,483</u>	<u>78,483</u>	-	<u>125,026</u>
Fund Balances, December 31	<u>\$ 21,833</u>	<u>\$ 9,417</u>	<u>\$ 16,734</u>	<u>\$ 7,317</u>	<u>\$ 78,483</u>

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes	\$ 33,114	\$ 33,114	\$ 32,757	\$ (357)	\$ -
Investment income	15,000	15,000	(9,576)	(24,576)	10,171
Miscellaneous revenues					
Refunds	1,000	1,000	-	(1,000)	243
Total Revenues	<u>49,114</u>	<u>49,114</u>	<u>23,181</u>	<u>(25,933)</u>	<u>10,414</u>
Expenditures					
Current					
Conservation and development					
Supplies	100	100	-	100	-
Other services and charges	103,000	103,000	66,930	36,070	14,989
Total Expenditures	<u>103,100</u>	<u>103,100</u>	<u>66,930</u>	<u>36,170</u>	<u>14,989</u>
Net Change in Fund Balances	(53,986)	(53,986)	(43,749)	10,237	(4,575)
Fund Balances, January 1	<u>1,333,465</u>	<u>1,333,465</u>	<u>1,333,465</u>	-	<u>1,338,040</u>
Fund Balances, December 31	<u>\$ 1,279,479</u>	<u>\$ 1,279,479</u>	<u>\$ 1,289,716</u>	<u>\$ 10,237</u>	<u>\$ 1,333,465</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Municipal Buildings – This fund accounts for the improvement and maintenance of City buildings.

TI Dist #7 Redevelopment Amend 5 – This fund accounts for street, sewer, storm sewer and water main improvements and site preparation costs within Darling's Third Tac Increment District.

C&J Housing Project - This fund accounts for site preparation costs for a 25 unit assisted living senior citizen housing complex.

Okabena Estates - This fund accounts for administration and site preparation costs for a 24 unit apartment complex.

CCSI Redevelopment - This fund accounts for administration and site preparation for a 21 lot single family housing development.

Newcastle Townhomes - This fund accounts for the activity related to the construction of a 30 Townhome housing project.

Hotel TIF #15 – This fund accounts for the activity related to the Hotel Tax Increment Financing District.

Northland Mall TIF #16 - This fund accounts for the activity related to the redevelopment of the former Northland Mall site and development of a mixed-use project in the City.

Grand Terrace Apt TIF #17 - This fund accounts for the facilitation of the construction of approximately 48 units of rental housing in the City of Worthington.

Thompson Hotel TIF #18 - This fund accounts for the facilitation of the reconditioning and remodeling of the historic Thompson Hotel for rental housing in the City of Worthington.

Cemstone Redevelopment TIF #19 - This fund accounts for the redevelopment of the former Cemstone property.

City of Worthington, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2022

	409	419	424	425	426	428
	Municipal Buildings	TI Dist #7 Redevelopment Amend 5	C&J Housing Project	Okabena Estates	CCSI Redevelopment	Newcastle Townhomes
Assets						
Cash and investments	\$ 40,627	\$ 417,621	\$ 21,448	\$ 32,925	\$ 23,594	\$ 3,711
Receivables						
Accounts	-	-	-	-	-	-
Accrued interest	80	4,212	41	46	9	5
Prepaid items	-	-	-	12	-	-
Total Assets	<u>\$ 40,707</u>	<u>\$ 421,833</u>	<u>\$ 21,489</u>	<u>\$ 32,983</u>	<u>\$ 23,603</u>	<u>\$ 3,716</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 12,726	\$ -	\$ -
Salaries payable	-	18	-	-	-	-
Due to other funds	-	708	-	-	-	-
Advance from other funds	-	-	-	-	68,084	-
Total Liabilities	<u>-</u>	<u>726</u>	<u>-</u>	<u>12,726</u>	<u>68,084</u>	<u>-</u>
Fund Balances						
Nonspendable	-	-	-	12	-	-
Restricted	-	-	-	20,245	-	3,716
Assigned	40,707	421,107	21,489	-	-	-
Unassigned	-	-	-	-	(44,481)	-
Total Fund Balances	<u>40,707</u>	<u>421,107</u>	<u>21,489</u>	<u>20,257</u>	<u>(44,481)</u>	<u>3,716</u>
Total Liabilities and Fund Balances	<u>\$ 40,707</u>	<u>\$ 421,833</u>	<u>\$ 21,489</u>	<u>\$ 32,983</u>	<u>\$ 23,603</u>	<u>\$ 3,716</u>

433	434	435	436	437	
Hotel TIF #15	Northland Mall TIF #16	Grand Terrace Apt TIF #17	Thompson Hotel TIF #18	Cemstone Redevelopment TIF #19	Total
\$ 76,647	\$ 126,079	\$ 2,822	\$ 28	\$ -	745,502
-	-	1,352	-	-	1,352
71	41	3	10	-	4,518
-	-	-	-	-	12
<u>\$ 76,718</u>	<u>\$ 126,120</u>	<u>\$ 4,177</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 751,384</u>
\$ -	\$ 129,536	\$ 1,352	\$ -	\$ -	\$ 143,614
-	-	-	-	-	18
26,357	-	-	-	15,720	42,785
-	-	-	-	-	68,084
<u>26,357</u>	<u>129,536</u>	<u>1,352</u>	<u>-</u>	<u>15,720</u>	<u>254,501</u>
-	-	-	-	-	12
50,361	-	2,825	38	-	77,185
-	-	-	-	-	483,303
-	(3,416)	-	-	(15,720)	(63,617)
<u>50,361</u>	<u>(3,416)</u>	<u>2,825</u>	<u>38</u>	<u>(15,720)</u>	<u>496,883</u>
<u>\$ 76,718</u>	<u>\$ 126,120</u>	<u>\$ 4,177</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 751,384</u>

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

	409	419	424	425	426	428
	Municipal Buildings	TI Dist #7 Redevelopment Amend 5	C&J Housing Project	Okabena Estates	CCSI Redevelopment	Newcastle Townhomes
Revenues						
Tax increment	\$ -	\$ -	\$ -	\$ 28,281	\$ 45,281	\$ 2,451
Investment income (loss)	(1,529)	17,773	168	(1,674)	32	21
Total Revenues	<u>(1,529)</u>	<u>17,773</u>	<u>168</u>	<u>26,607</u>	<u>45,313</u>	<u>2,472</u>
Expenditures						
Capital outlay						
Culture and recreation	-	-	-	-	-	-
Conservation and development	-	3,840	-	28,326	4,151	1,987
Total Expenditures	<u>-</u>	<u>3,840</u>	<u>-</u>	<u>28,326</u>	<u>4,151</u>	<u>1,987</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,529)	13,933	168	(1,719)	41,162	485
Other Financing Sources (Uses)						
Transfers out	<u>-</u>	<u>(2,329,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,529)	(2,315,545)	168	(1,719)	41,162	485
Fund Balances, January 1	<u>42,236</u>	<u>2,736,652</u>	<u>21,321</u>	<u>21,976</u>	<u>(85,643)</u>	<u>3,231</u>
Fund Balances, December 31	<u>\$ 40,707</u>	<u>\$ 421,107</u>	<u>\$ 21,489</u>	<u>\$ 20,257</u>	<u>\$ (44,481)</u>	<u>\$ 3,716</u>

433	434	435	436	437	
Hotel TIF #15	Northland Mall TIF #16	Grand Terrace Apt TIF #17	Thompson Hotel TIF #18	Cemstone Redevelopment TIF #19	Total
\$ 94,858	\$ 204,045	\$ 3,005	\$ 16,550	\$ -	\$ 394,471
(1,574)	(3,567)	13	38	-	9,701
<u>93,284</u>	<u>200,478</u>	<u>3,018</u>	<u>16,588</u>	<u>-</u>	<u>404,172</u>
12,710	-	-	-	-	12,710
-	203,744	2,731	16,400	7,500	268,679
<u>12,710</u>	<u>203,744</u>	<u>2,731</u>	<u>16,400</u>	<u>7,500</u>	<u>281,389</u>
80,574	(3,266)	287	188	(7,500)	122,783
-	-	-	-	-	(2,329,478)
80,574	(3,266)	287	188	(7,500)	(2,206,695)
<u>(30,213)</u>	<u>(150)</u>	<u>2,538</u>	<u>(150)</u>	<u>(8,220)</u>	<u>2,703,578</u>
<u>\$ 50,361</u>	<u>\$ (3,416)</u>	<u>\$ 2,825</u>	<u>\$ 38</u>	<u>\$ (15,720)</u>	<u>\$ 496,883</u>

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NONMAJOR PROPRIETARY FUNDS

Industrial Wastewater Facility - This fund was established to account for the operations of the sewer lagoon.

Storm Water Management – This fund was established to account for the operation of the storm drains and storm lift stations.

Street Lighting – This fund was established to account for the operations of the municipal street lighting.

Liquor – This fund was established to account for activities related to the operation of the municipal owned liquor store.

Airport – This fund was established to account for activities related to the operation of an airport.

Cable Television – This fund was established to account for the franchise fees, subscriber fees and legal negotiations with the local cable television companies.

City of Worthington, Minnesota
Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2022

	605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Assets							
Current Assets							
Cash and investments	\$ 2,358,329	\$ 2,401,515	\$ 443,242	\$ 893,895	\$ 580,395	\$ 1,500	\$ 6,678,876
Receivables							
Accrued interest	4,779	4,538	999	1,915	1,335	-	13,566
Accounts	220,196	60,790	21,954	208	5,739	23,549	332,436
Intergovernmental	-	-	-	-	345,375	-	345,375
Inventories	-	-	-	688,188	-	-	688,188
Prepaid items	5,986	1,943	-	7,686	6,667	-	22,282
Total Current Assets	<u>2,589,290</u>	<u>2,468,786</u>	<u>466,195</u>	<u>1,591,892</u>	<u>939,511</u>	<u>25,049</u>	<u>8,080,723</u>
Noncurrent Assets							
Capital assets at cost							
Land	64,522	634,747	-	431,300	88,765	-	1,219,334
Construction in progress	559,070	80,556	-	4,891	926,912	-	1,571,429
Buildings and other improvements	10,339,421	6,735,902	-	2,871,093	23,966,186	-	43,912,602
Machinery and equipment	209,821	463,096	-	217,875	603,913	-	1,494,705
Vehicles	-	29,207	-	-	53,826	-	83,033
Less accumulated depreciation	(6,850,095)	(1,302,784)	-	(794,275)	(15,918,965)	-	(24,866,119)
Total Capital Assets	<u>4,322,739</u>	<u>6,640,724</u>	<u>-</u>	<u>2,730,884</u>	<u>9,720,637</u>	<u>-</u>	<u>23,414,984</u>
Total Assets	<u>6,912,029</u>	<u>9,109,510</u>	<u>466,195</u>	<u>4,322,776</u>	<u>10,660,148</u>	<u>25,049</u>	<u>31,495,707</u>
Deferred Outflows of Resources							
Deferred pension resources	-	12,295	-	106,686	9,164	-	128,145
Deferred other postemployment benefit resources	-	-	-	16,502	-	-	16,502
Total Deferred Outflows of Resources	<u>-</u>	<u>12,295</u>	<u>-</u>	<u>123,188</u>	<u>9,164</u>	<u>-</u>	<u>144,647</u>
Liabilities							
Current Liabilities							
Accounts payable	298,995	24,278	5,383	110,758	31,853	26,944	498,211
Advances from other funds - current portion	-	-	-	158,029	-	-	158,029
Due to other governments	-	-	-	59,844	146,246	-	206,090
Accrued interest payable	-	13,290	-	-	-	-	13,290
Salaries payable	-	335	-	16,898	2,894	-	20,127
Unearned revenue	-	-	-	9,186	-	-	9,186
G.O. revenue bonds payable	-	65,000	-	-	-	-	65,000
Total Current Liabilities	<u>298,995</u>	<u>102,903</u>	<u>5,383</u>	<u>354,715</u>	<u>180,993</u>	<u>26,944</u>	<u>969,933</u>
Noncurrent Liabilities							
G.O. revenue bonds payable	-	890,000	-	-	-	-	890,000
Other postemployment benefits obligation	-	-	-	82,053	-	-	82,053
Advances from other funds	-	-	-	493,304	-	-	493,304
Net pension liability	-	41,461	-	359,768	30,902	-	432,131
Total Noncurrent Liabilities	<u>-</u>	<u>931,461</u>	<u>-</u>	<u>935,125</u>	<u>30,902</u>	<u>-</u>	<u>1,897,488</u>
Total Liabilities	<u>298,995</u>	<u>1,034,364</u>	<u>5,383</u>	<u>1,289,840</u>	<u>211,895</u>	<u>26,944</u>	<u>2,867,421</u>
Deferred Inflows of Resources							
Deferred pension resources	-	947	-	8,216	706	-	9,869
Deferred other postemployment benefit resources	-	-	-	23,068	-	-	23,068
Total Deferred Inflows of Resources	<u>-</u>	<u>947</u>	<u>-</u>	<u>31,284</u>	<u>706</u>	<u>-</u>	<u>32,937</u>
Net Position							
Net investment in capital assets	4,322,739	5,685,724	-	2,730,884	9,720,637	-	22,459,984
Unrestricted	<u>2,290,295</u>	<u>2,400,770</u>	<u>460,812</u>	<u>393,956</u>	<u>736,074</u>	<u>(1,895)</u>	<u>6,280,012</u>
Total Net Position	<u>\$ 6,613,034</u>	<u>\$ 8,086,494</u>	<u>\$ 460,812</u>	<u>\$ 3,124,840</u>	<u>\$ 10,456,711</u>	<u>\$ (1,895)</u>	<u>\$ 28,739,996</u>

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

	605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Operating Revenues							
Charges for services	\$ 2,313,486	\$ 728,140	\$ 266,268	\$ 5,221,873	\$ 175,263	\$ 121,650	\$ 8,826,680
Cost of goods sold	-	-	-	(3,874,946)	-	-	(3,874,946)
Miscellaneous	11,411	-	-	-	-	-	11,411
Total Operating Revenues	<u>2,324,897</u>	<u>728,140</u>	<u>266,268</u>	<u>1,346,927</u>	<u>175,263</u>	<u>121,650</u>	<u>4,963,145</u>
Operating Expenses							
Personal services	-	53,617	-	346,390	27,371	-	427,378
Employee benefits	91	49,365	-	186,468	31,487	-	267,411
Supplies	933,283	73,692	-	55,870	67,798	-	1,130,643
Professional services	1,307,514	81,451	46,664	218,949	202,418	125,045	1,982,041
Depreciation	256,347	250,575	-	107,280	590,963	-	1,205,165
Total Operating Expenses	<u>2,497,235</u>	<u>508,700</u>	<u>46,664</u>	<u>914,957</u>	<u>920,037</u>	<u>125,045</u>	<u>5,012,638</u>
Operating Income (Loss)	<u>(172,338)</u>	<u>219,440</u>	<u>219,604</u>	<u>431,970</u>	<u>(744,774)</u>	<u>(3,395)</u>	<u>(49,493)</u>
Nonoperating Revenues (Expenses)							
Intergovernmental							
Federal grant	-	-	-	495	-	-	495
State grant	-	-	-	-	87,637	-	87,637
Investment income (loss)	(45,244)	(48,167)	(8,998)	(16,401)	(11,253)	-	(130,063)
Miscellaneous	-	182	3,000	1,583	135	-	4,900
Interest and fiscal charges	-	(46,273)	-	(16,125)	-	-	(62,398)
Total Nonoperating Revenues (Expenses)	<u>(45,244)</u>	<u>(94,258)</u>	<u>(5,998)</u>	<u>(30,448)</u>	<u>76,519</u>	<u>-</u>	<u>(99,429)</u>
Income (Loss) Before Contributions and Transfers	<u>(217,582)</u>	<u>125,182</u>	<u>213,606</u>	<u>401,522</u>	<u>(668,255)</u>	<u>(3,395)</u>	<u>(148,922)</u>
Capital Grants and Contributions	-	-	-	-	241,821	-	241,821
Transfers Out	-	-	(165,000)	(275,000)	-	-	(440,000)
Change in Net Position	<u>(217,582)</u>	<u>125,182</u>	<u>48,606</u>	<u>126,522</u>	<u>(426,434)</u>	<u>(3,395)</u>	<u>(347,101)</u>
Net Position, January 1	<u>6,830,616</u>	<u>7,961,312</u>	<u>412,206</u>	<u>2,998,318</u>	<u>10,883,145</u>	<u>1,500</u>	<u>29,087,097</u>
Net Position, December 31	<u>\$ 6,613,034</u>	<u>\$ 8,086,494</u>	<u>\$ 460,812</u>	<u>\$ 3,124,840</u>	<u>\$ 10,456,711</u>	<u>\$ (1,895)</u>	<u>\$ 28,739,996</u>

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

	605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 2,094,121	\$ 728,238	\$ 266,957	\$ 1,348,709	\$ 159,275	\$ 141,591	\$ 4,738,891
Payments to vendors and suppliers	(2,242,113)	(137,629)	(46,300)	(346,873)	(275,485)	(141,591)	(3,189,991)
Payments to and on behalf of employees	(91)	(74,191)	-	(452,500)	(35,599)	-	(562,381)
Other receipts	11,411	182	3,000	1,583	135	-	16,311
Net Cash Provided (Used) by Operating Activities	(136,672)	516,600	223,657	550,919	(151,674)	-	1,002,830
Cash Flows From Noncapital Financing Activities							
Increase (decrease) in advances to other funds	-	-	-	(154,930)	-	-	(154,930)
Transfers to other funds	-	-	(165,000)	(275,000)	-	-	(440,000)
Grant receipts	-	-	-	495	87,637	-	88,132
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	(165,000)	(429,435)	87,637	-	(506,798)
Cash Flows From Capital and Related Financing Activities							
Capital grants received	-	-	-	-	5,530	-	5,530
Principal paid on bonds and leases	-	(65,000)	-	-	-	-	(65,000)
Interest and fiscal charges paid on bonds and leases	-	(32,983)	-	(16,125)	-	-	(49,108)
Payments for acquisition and construction of capital assets	(232,046)	(64,824)	-	(4,891)	(189,871)	-	(491,632)
Net Cash Provided (Used) by Capital and Related Financing Activities	(232,046)	(162,807)	-	(21,016)	(184,341)	-	(600,210)
Cash Flows From Investing Activities							
Interest receipts (losses)	(46,068)	(49,713)	(9,290)	(17,046)	(11,284)	-	(133,401)
Net Increase (Decrease) in Cash and Cash Equivalents	(414,786)	304,080	49,367	83,422	(259,662)	-	(237,579)
Cash and Cash Equivalents, January 1	2,773,115	2,097,435	393,875	810,473	840,057	1,500	6,916,455
Cash and Cash Equivalents, December 31	\$ 2,358,329	\$ 2,401,515	\$ 443,242	\$ 893,895	\$ 580,395	\$ 1,500	\$ 6,678,876
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating income (loss)	\$ (172,338)	\$ 219,440	\$ 219,604	\$ 431,970	\$ (744,774)	\$ (3,395)	\$ (49,493)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Other income related to operations	-	182	3,000	1,583	135	-	4,900
Depreciation	256,347	250,575	-	107,280	590,963	-	1,205,165
(Increase) decrease in assets							
Accounts receivable	(219,365)	98	689	680	(4,918)	19,941	(202,875)
Inventories	-	-	-	(73,694)	-	-	(73,694)
Prepaid items	2,992	(316)	-	(127)	4,530	-	7,079
(Increase) decrease in deferred outflows of resources							
Deferred pension resources	-	(12,295)	-	29,589	(9,164)	-	8,130
Deferred other postemployment benefit resources	-	-	-	(8,236)	-	-	(8,236)
Increase (decrease) in liabilities							
Accounts payable	(4,308)	17,830	364	2,374	1,241	(16,546)	955
Due to other governments	-	-	-	(607)	(11,040)	-	(11,647)
Salaries payable	-	(1,322)	-	1,738	815	-	1,231
Other postemployment benefits obligation	-	-	-	39,866	-	-	39,866
Net pension liability	-	41,461	-	180,981	30,902	-	253,344
Unearned revenue	-	-	-	1,102	(11,070)	-	(9,968)
Increase (decrease) in deferred inflows of resources							
Deferred pension resources	-	947	-	(175,162)	706	-	(173,509)
Deferred other postemployment benefit resources	-	-	-	11,582	-	-	11,582
Net Cash Provided (Used) by Operating Activities	\$ (136,672)	\$ 516,600	\$ 223,657	\$ 550,919	\$ (151,674)	\$ -	\$ 1,002,830

GENERAL FUND

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund.

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 2,637,772	\$ 2,637,772	\$ 2,635,750	\$ (2,022)	\$ 2,394,863
Franchise taxes	150,000	150,000	182,333	32,333	182,508
Other taxes	2,200	2,200	4,820	2,620	4,337
Total taxes	2,789,972	2,789,972	2,822,903	32,931	2,581,708
Special assessments	-	-	489	489	322
Licenses and permits					
Business	46,000	46,000	55,327	9,327	47,319
Nonbusiness	242,975	242,975	157,330	(85,645)	202,887
Total licenses and permits	288,975	288,975	212,657	(76,318)	250,206
Intergovernmental					
Federal					
Highway safety grant	40,000	40,000	37,469	(2,531)	58,232
American Rescue Plan Act	-	-	378,785	378,785	-
Other	715,744	715,744	127,357	(588,387)	715,744
Total Federal	755,744	755,744	543,611	(212,133)	773,976
State					
Local government aid	3,540,880	3,540,880	3,540,880	-	3,520,454
Property tax credits	-	-	292	292	277
Police aid	220,000	220,000	202,833	(17,167)	193,044
Fire aid	65,000	65,000	84,540	19,540	80,407
Other	126,000	126,000	123,198	(2,802)	159,769
Total state	3,951,880	3,951,880	3,951,743	(137)	3,953,951
County					
Other County aids	20,000	20,000	58,455	38,455	-
Local					
Other local aid	-	-	-	-	15,000
Total intergovernmental	4,727,624	4,727,624	4,553,809	(173,815)	4,742,927
Charges for services					
General government	222,521	222,521	145,515	(77,006)	179,597
Public safety	37,440	37,440	30,377	(7,063)	48,933
Public works	16,200	16,200	12,893	(3,307)	14,926
Culture and recreation	8,550	8,550	10,649	2,099	8,628
Conservation and development	43,500	43,500	78,508	35,008	67,761
Rents	-	-	1,710	1,710	1,710
Total charges for services	328,211	328,211	279,652	(48,559)	321,555
Fines and forfeits	45,000	45,000	46,212	1,212	43,182
Investment income (loss)	51,007	51,007	(67,845)	(118,852)	(432,540)
Miscellaneous					
Contributions and donations	-	-	7,500	7,500	585
Refunds	-	-	15,058	15,058	130
Other	29,850	29,850	170,651	140,801	38,116
Total miscellaneous	29,850	29,850	193,209	163,359	38,831
Total Revenues	8,260,639	8,260,639	8,041,086	(219,553)	7,546,191

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 75,852	\$ 75,852	\$ 68,737	\$ 7,115	\$ 70,000
Supplies	200	200	23	177	1,532
Other services and charges	22,952	22,952	26,478	(3,526)	9,211
Total City Council	99,004	99,004	95,238	3,766	80,743
Administration					
Personal services	198,217	198,217	204,083	(5,866)	192,483
Supplies	1,000	1,000	2,262	(1,262)	1,508
Other services and charges	140,250	140,250	6,660	133,590	7,366
Total council administration	339,467	339,467	213,005	126,462	201,357
Clerk's office and election					
Personal services	202,940	202,940	222,978	(20,038)	169,714
Supplies	4,125	4,125	2,502	1,623	1,283
Other services and charges	23,825	23,825	24,189	(364)	21,268
Total clerk's office and election	230,890	230,890	249,669	(18,779)	192,265
Finance					
Personal services	168,825	168,825	172,703	(3,878)	216,941
Supplies	1,800	1,800	1,054	746	1,327
Other services and charges	132,556	132,556	124,421	8,135	100,604
Total finance	303,181	303,181	298,178	5,003	318,872
Legal					
Other services and charges	35,000	35,000	35,892	(892)	47,525
Engineering administration					
Personal services	300,314	300,314	316,602	(16,288)	419,177
Supplies	10,750	43,870	14,840	29,030	9,273
Other services and charges	122,300	199,338	137,786	61,552	32,051
Total engineering administration	433,364	543,522	469,228	74,294	460,501
Community and economic development					
Personal services	373,136	373,136	234,125	139,011	336,034
Supplies	3,750	3,750	18,465	(14,715)	3,746
Other services and charges	277,586	297,108	111,434	185,674	65,979
Total community and economic development	654,472	673,994	364,024	309,970	405,759
General government buildings					
Personal services	1,100	1,100	1,654	(554)	1,120
Supplies	3,300	3,300	2,768	532	2,100
Other services and charges	70,530	70,530	95,001	(24,471)	64,695
Total general government buildings	74,930	74,930	99,423	(24,493)	67,915
Other general government					
Personal services	-	-	2,232	(2,232)	-
Supplies	-	-	151	(151)	51
Other services and charges	100,575	106,589	112,950	(6,361)	101,110
Total other general government	100,575	106,589	115,333	(8,744)	101,161
Total general government	2,270,883	2,406,577	1,939,990	466,587	1,876,098

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personal services	\$ 3,365,844	\$ 3,365,844	\$ 3,190,753	\$ 175,091	3,170,122
Supplies	137,850	137,850	173,813	(35,963)	174,686
Other services and charges	884,921	884,921	894,428	(9,507)	915,870
Total police	<u>4,388,615</u>	<u>4,388,615</u>	<u>4,258,994</u>	<u>129,621</u>	<u>4,260,678</u>
Fire					
Personal services	186,504	186,504	206,652	(20,148)	201,635
Supplies	25,700	25,700	32,852	(7,152)	8,306
Other services and charges	93,050	93,050	83,779	9,271	104,075
Total fire	<u>305,254</u>	<u>305,254</u>	<u>323,283</u>	<u>(18,029)</u>	<u>314,016</u>
Civil defense					
Other services and charges	3,300	3,300	310	2,990	635
Total civil defense	<u>3,300</u>	<u>3,300</u>	<u>310</u>	<u>2,990</u>	<u>635</u>
Animal control					
Personal services	18,317	18,317	13,125	5,192	21,722
Supplies	3,000	3,000	1,141	1,859	1,784
Other services and charges	3,900	3,900	2,763	1,137	2,239
Total animal control	<u>25,217</u>	<u>25,217</u>	<u>17,029</u>	<u>8,188</u>	<u>25,745</u>
Code enforcement					
Personal services	136,372	136,372	102,048	34,324	107,862
Supplies	1,950	1,950	2,622	(672)	2,026
Other services and charges	9,020	9,020	5,229	3,791	6,098
Total code enforcement	<u>147,342</u>	<u>147,342</u>	<u>109,899</u>	<u>37,443</u>	<u>115,986</u>
Total public safety	<u>4,869,728</u>	<u>4,869,728</u>	<u>4,709,515</u>	<u>160,213</u>	<u>4,717,060</u>
Public works					
Streets					
Personal services	247,147	247,147	287,261	(40,114)	271,120
Supplies	87,100	87,100	70,937	16,163	122,095
Other services and charges	100,525	100,525	85,267	15,258	88,789
Total streets	<u>434,772</u>	<u>434,772</u>	<u>443,465</u>	<u>(8,693)</u>	<u>482,004</u>
Street maintenance					
Personal services	<u>183,855</u>	<u>183,855</u>	<u>192,948</u>	<u>(9,093)</u>	<u>166,250</u>
Ice and Snow Removal					
Personal services	112,659	112,659	101,195	11,464	64,828
Supplies	83,000	83,000	136,015	(53,015)	55,482
Other services and charges	58,600	58,600	32,213	26,387	58,382
Total storm water	<u>254,259</u>	<u>254,259</u>	<u>269,423</u>	<u>(15,164)</u>	<u>178,692</u>
Signs and signals					
Personal services	14,773	14,773	3,761	11,012	9,187
Supplies	13,800	13,800	18,685	(4,885)	22,485
Other services and charges	12,250	12,250	12,317	(67)	13,538
Total signs and signals	<u>40,823</u>	<u>40,823</u>	<u>34,763</u>	<u>6,060</u>	<u>45,210</u>

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Sanitation					
Composting					
Personal services	\$ 10,863	\$ 10,863	\$ 15,227	\$ (4,364)	\$ 11,728
Supplies	1,000	1,000	990	10	446
Other services and charges	55,090	55,090	49,099	5,991	41,298
Total sanitation	66,953	66,953	65,316	1,637	53,472
Total public works	980,662	980,662	1,005,915	(25,253)	925,628
Public Arts/Band					
Supplies	900	900	1,134	(234)	-
Other services and charges	11,835	11,835	6,891	4,944	9,935
Total public arts/band	12,735	12,735	8,025	4,710	9,935
Center for Active Living					
Supplies	10,200	10,200	15,257	(5,057)	5,223
Other services and charges	92,320	92,320	188,753	(96,433)	83,240
Total recreational activities and facilities	102,520	102,520	204,010	(101,490)	88,463
Total culture and recreation	115,255	115,255	212,035	(96,780)	98,398
Conservation and Development					
Clean water partnership project					
Other services and charges	15,000	15,000	42,675	(27,675)	63,322
Total clean water partnership project	15,000	15,000	42,675	(27,675)	63,322
Lake improvement					
Personal services	7,569	7,569	8,150	(581)	12,700
Supplies	3,100	3,100	1,856	1,244	943
Other services and charges	5,805	5,805	1,230	4,575	6,360
Total lake improvement	16,474	16,474	11,236	5,238	20,003
Promotional Services					
Other services and charges	23,200	23,200	22,408	792	21,782
Lodging Tax/Tourism					
Other services and charges	150,000	150,000	181,748	(31,748)	182,508
ADI Development					
Other services and charges	-	-	1,320	(1,320)	2,869
Special Days and Events					
Personal services	12,430	12,430	14,895	(2,465)	7,555
Supplies	4,000	4,000	5,273	(1,273)	2,332
Other services and charges	1,275	1,275	999	276	218
Total miscellaneous special days and events	17,705	17,705	21,167	(3,462)	10,105
Total Conservation and Development	222,379	222,379	280,554	(58,175)	300,589
Total current	8,458,907	8,594,601	8,148,009	446,592	7,917,773

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

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Capital outlay					
General government	\$ 354,000	\$ 887,866	\$ 460,963	\$ 426,903	\$ 41,052
Public safety - police	239,800	276,069	235,783	40,286	82,663
Public safety - fire	-	-	11,108	(11,108)	8,123
Public works	332,927	332,927	147,103	185,824	505,823
Conservation and Development	-	-	20,315	(20,315)	-
Total capital outlay	<u>926,727</u>	<u>1,496,862</u>	<u>875,272</u>	<u>621,590</u>	<u>637,661</u>
Total Expenditures	<u>9,385,634</u>	<u>10,091,463</u>	<u>9,023,281</u>	<u>1,068,182</u>	<u>8,555,434</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,124,995)</u>	<u>(1,830,824)</u>	<u>(982,195)</u>	<u>848,629</u>	<u>(1,009,243)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	15,581	15,581	141,301
Transfers in	1,283,916	1,283,916	1,245,137	(38,779)	1,239,504
Transfers out	<u>(46,792)</u>	<u>(432,648)</u>	<u>(46,908)</u>	<u>385,740</u>	<u>(42,228)</u>
Total Other Financing Sources (Uses)	<u>1,237,124</u>	<u>851,268</u>	<u>1,213,810</u>	<u>362,542</u>	<u>1,338,577</u>
Net Change in Fund Balances	112,129	(979,556)	231,615	1,211,171	329,334
Fund Balances, January 1	9,700,735	9,700,735	9,700,735	-	9,371,401
Prior Period Adjustment (Note 10)	<u>(957,398)</u>	<u>(957,398)</u>	<u>(957,398)</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 8,855,466</u>	<u>\$ 7,763,781</u>	<u>\$ 8,974,952</u>	<u>\$ 1,211,171</u>	<u>\$ 9,700,735</u>

City of Worthington, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2022

	321	335	346	347
	PIR/Trunks	G.O. Sales Tax Revenue Bonds 2020A	PIR Series 2009C	PIR Series 2010A
Assets				
Cash and investments	\$ 318,331	\$ -	\$ 11	\$ 44,737
Receivables				
Accrued interest	1,468	-	-	39
Delinquent taxes	-	-	-	425
Special assessments - deferred	315,076	-	-	52,357
Accounts	2,122	-	-	-
Prepaid items	646	-	-	-
	<u>646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 637,643</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 97,558</u>
Liabilities				
Salaries payable	\$ 981	\$ -	\$ -	\$ -
Due to other funds	-	4,501	-	-
Total Liabilities	<u>981</u>	<u>4,501</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	-	-	-	425
Special assessments	315,076	-	-	52,357
Total Deferred Inflows of Resources	<u>315,076</u>	<u>-</u>	<u>-</u>	<u>52,782</u>
Fund Balances				
Nonspendable				
Prepays	646	-	-	-
Restricted				
Debt service	320,940	(4,501)	11	44,776
Total Fund Balance	<u>321,586</u>	<u>(4,501)</u>	<u>11</u>	<u>44,776</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 637,643</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 97,558</u>

348	350	351	
PIR Series 2012A	PIR Series 2016A	G.O. Series 2019A	Total
\$ 169,872	\$ 641,078	\$ 1,301,669	\$ 2,475,698
160	819	1,175	3,661
1,609	1,541	8,792	12,367
25,949	357,802	305,977	1,057,161
-	-	-	2,122
-	-	-	646
<u>\$ 197,590</u>	<u>\$ 1,001,240</u>	<u>\$ 1,617,613</u>	<u>\$ 3,551,655</u>
\$ -	\$ -	\$ -	\$ 981
-	-	-	4,501
-	-	-	5,482
1,609	1,541	8,792	12,367
25,949	357,802	305,977	1,057,161
<u>27,558</u>	<u>359,343</u>	<u>314,769</u>	<u>1,069,528</u>
-	-	-	646
170,032	641,897	1,302,844	2,475,999
<u>170,032</u>	<u>641,897</u>	<u>1,302,844</u>	<u>2,476,645</u>
<u>\$ 197,590</u>	<u>\$ 1,001,240</u>	<u>\$ 1,617,613</u>	<u>\$ 3,551,655</u>

City of Worthington, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	321	335	346	347
	PIR/Trunks	G.O. Sales Tax Revenue Bonds 2020A	PIR Series 2009C	PIR Series 2010A
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ 8	\$ 37,766
Special assessments	56,900	-	-	15,299
Intergovernmental	-	-	-	4
Investment income (loss)	(12,526)	(1)	-	(1,776)
Total Revenues	<u>44,374</u>	<u>(1)</u>	<u>8</u>	<u>51,293</u>
Expenditures				
Public works	87,134	-	-	-
Debt service				
Principal retirement	-	475,000	-	55,000
Interest and fiscal charges	-	134,093	-	12,150
Total Expenditures	<u>87,134</u>	<u>609,093</u>	<u>-</u>	<u>67,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,760)	(609,094)	8	(15,857)
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>604,593</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(42,760)	(4,501)	8	(15,857)
Fund Balances, January 1	30,893	-	3	75,716
Prior Period Adjustment (Note 10)	<u>333,453</u>	<u>-</u>	<u>-</u>	<u>(15,083)</u>
Fund Balances, December 31	<u>\$ 321,586</u>	<u>\$ (4,501)</u>	<u>\$ 11</u>	<u>\$ 44,776</u>

348	350	351	
PIR Series 2012A	PIR Series 2016A	G.O. Series 2019A	Total
\$ 142,814	\$ 137,849	\$ 782,738	\$ 1,101,175
23,316	60,784	114,662	270,961
16	15	86	121
(3,301)	(11,738)	(25,710)	(55,052)
<u>162,845</u>	<u>186,910</u>	<u>871,776</u>	<u>1,317,205</u>
-	-	-	87,134
185,000	190,000	610,000	1,515,000
7,581	54,838	235,858	444,520
<u>192,581</u>	<u>244,838</u>	<u>845,858</u>	<u>2,046,654</u>
(29,736)	(57,928)	25,918	(729,449)
-	-	-	604,593
(29,736)	(57,928)	25,918	(124,856)
215,207	745,814	1,348,732	2,416,365
(15,439)	(45,989)	(71,806)	185,136
<u>\$ 170,032</u>	<u>\$ 641,897</u>	<u>\$ 1,302,844</u>	<u>\$ 2,476,645</u>

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INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods of services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Data Processing - This fund is used to account for the data processing activities of the City which are charged to the various operating funds of the City.

Safety Promotion/Loss Control - This fund is used to account for and finance the City's uninsured risk of loss.

Vacation and Sick Accrual - This fund is used to account for funding compensated absences payable of governmental funds.

Health Insurance Plan - This fund is used to account for funding of health insurance to various City Departments.

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2022

	702 Data Processing	703 Safety Promotion Loss Control	704 Vacation and Sick Accrual	705 Health Insurance Plan	Total
Assets					
Current Assets					
Cash and investments	\$ 187,970	\$ 544,972	\$ 913,149	\$ -	\$ 1,646,091
Receivables					
Accrued interest	300	1,351	-	-	1,651
Prepaid items	17,953	-	-	-	17,953
Total Current Assets	<u>206,223</u>	<u>546,323</u>	<u>913,149</u>	<u>-</u>	<u>1,665,695</u>
Capital Assets					
Machinery and equipment	128,793	-	-	-	128,793
Less accumulated depreciation	(96,756)	-	-	-	(96,756)
Net Capital Assets	<u>32,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,037</u>
Total Assets	<u>238,260</u>	<u>546,323</u>	<u>913,149</u>	<u>-</u>	<u>1,697,732</u>
Deferred Outflows of Resources					
Deferred pension resources	60,903	-	-	-	60,903
Deferred other postemployment benefit resources	10,966	-	-	-	10,966
Total Deferred Outflows of Resources	<u>71,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,869</u>
Liabilities					
Current Liabilities					
Accounts payable	20,841	-	-	-	20,841
Salaries payable	7,656	-	-	-	7,656
Compensated absences payable	-	-	544,991	-	544,991
Total Current Liabilities	<u>28,497</u>	<u>-</u>	<u>544,991</u>	<u>-</u>	<u>573,488</u>
Noncurrent Liabilities					
Compensated absences payable	-	-	368,158	-	368,158
Net pension liability	205,378	-	-	-	205,378
Other postemployment benefits obligation	54,526	-	-	-	54,526
Total Noncurrent Liabilities	<u>259,904</u>	<u>-</u>	<u>368,158</u>	<u>-</u>	<u>628,062</u>
Total Liabilities	<u>288,401</u>	<u>-</u>	<u>913,149</u>	<u>-</u>	<u>1,201,550</u>
Deferred Inflows of Resources					
Deferred pension resources	4,690	-	-	-	4,690
Deferred other postemployment benefit resources	15,329	-	-	-	15,329
Total Deferred Inflows of Resources	<u>20,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,019</u>
Net Position					
Investment in capital assets	32,037	-	-	-	32,037
Unrestricted	(30,328)	546,323	-	-	515,995
Total Net Position	<u>\$ 1,709</u>	<u>\$ 546,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,032</u>

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	702 Data Processing	703 Safety Promotion Loss Control	704 Vacation and Sick Accrual	705 Health Insurance Plan	Total
Operating Revenues					
Charges for services	\$ 420,354	\$ 243,441	\$ -	\$ -	\$ 663,795
Miscellaneous	900	187,742	-	-	188,642
Total Operating Revenues	<u>421,254</u>	<u>431,183</u>	<u>-</u>	<u>-</u>	<u>852,437</u>
Operating Expenses					
Personal services	183,315	-	-	-	183,315
Employee benefits	132,112	-	-	-	132,112
Supplies	33,637	-	-	-	33,637
Professional services	42,305	314,221	-	-	356,526
Depreciation	9,411	-	-	-	9,411
Total Operating Expenses	<u>400,780</u>	<u>314,221</u>	<u>-</u>	<u>-</u>	<u>715,001</u>
Operating Income (Loss)	<u>20,474</u>	<u>116,962</u>	<u>-</u>	<u>-</u>	<u>137,436</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	3,350	-	-	-	3,350
Investment income (loss)	1,230	5,579	-	-	6,809
Total Nonoperating Revenues (Expenses)	<u>4,580</u>	<u>5,579</u>	<u>-</u>	<u>-</u>	<u>10,159</u>
Income (Loss) Before Transfers	25,054	122,541	-	-	147,595
Transfers Out	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Change in Net Position	25,054	(127,459)	-	-	(102,405)
Net Position, January 1	<u>(23,345)</u>	<u>673,782</u>	<u>-</u>	<u>-</u>	<u>650,437</u>
Net Position, December 31	<u>\$ 1,709</u>	<u>\$ 546,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,032</u>

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	702 Data Processing	703 Safety Promotion Loss Control	704 Vacation and Sick Accrual	705 Health Insurance Plan	Total
Cash Flows from Operating Activities					
Receipts from interfund services provided	\$ 420,354	\$ 243,441	\$ -	\$ -	\$ 663,795
Payments to vendors and suppliers	(61,461)	(316,186)	-	-	(377,647)
Payments to and on behalf of employees	(244,419)	-	(14,560)	-	(258,979)
Other receipts	900	187,742	-	1,122	189,764
Net Cash Provided (Used) by Operating Activities	<u>115,374</u>	<u>114,997</u>	<u>(14,560)</u>	<u>1,122</u>	<u>216,933</u>
Cash Flows from Noncapital Financing Activities					
Grants received	3,350	-	-	-	3,350
Transfers to other funds	-	(250,000)	-	-	(250,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,350</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(246,650)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for acquisition and construction of capital assets	(9,182)	-	-	-	(9,182)
Cash Flows From Investing Activities					
Interest receipts	1,061	5,246	-	-	6,307
Net Increase (Decrease) in Cash and Cash Equivalents	110,603	(129,757)	(14,560)	1,122	(32,592)
Cash and Cash Equivalents, January 1	<u>77,367</u>	<u>674,729</u>	<u>927,709</u>	<u>(1,122)</u>	<u>1,678,683</u>
Cash and Cash Equivalents, December 31	<u>\$ 187,970</u>	<u>\$ 544,972</u>	<u>\$ 913,149</u>	<u>\$ -</u>	<u>\$ 1,646,091</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 20,474	\$ 116,962	\$ -	\$ -	\$ 137,436
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	9,411	-	-	-	9,411
(Increase) decrease in assets					
Prepaid items	(5,539)	-	-	-	(5,539)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	777	-	-	-	777
Deferred other postemployment benefit resources	(5,012)	-	-	-	(5,012)
Increase (decrease) in liabilities					
Accounts payable	20,020	(1,965)	-	-	18,055
Salaries payable	(183)	-	-	1,122	939
Compensated absences payable	-	-	(14,560)	-	(14,560)
Net pension liability	124,456	-	-	-	124,456
Other postemployment benefits obligation	22,224	-	-	-	22,224
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(78,309)	-	-	-	(78,309)
Deferred other postemployment benefit resources	7,055	-	-	-	7,055
Net Cash Provided (Used) by Operating Activities	<u>\$ 115,374</u>	<u>\$ 114,997</u>	<u>\$ (14,560)</u>	<u>\$ 1,122</u>	<u>\$ 216,933</u>

CUSTODIAL FUNDS

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Olson Water - This fund is used to improve lake quality in the area.

Garbage Collection - This fund is used to account for the collection of garbage, paid to Schaap Sanitation.

Waste Management Collection - This fund is used to account for the landfill fee, paid to Nobles County.

City of Worthington, Minnesota
Combining Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

	801	873	878	
	Olson Water	Garbage Collection	Waste Management Collection	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 108,497	\$ 61,252	\$ -	\$ 169,749
Receivables				
Accounts	-	119,476	-	119,476
Total Assets	<u>108,497</u>	<u>180,728</u>	<u>-</u>	<u>289,225</u>
Liabilities				
Current Liabilities				
Accounts payable	-	97,085	18,151	115,236
Due to other governments	-	7,727	-	7,727
Deposits payable	-	17,005	-	17,005
Total Current Liabilities	<u>-</u>	<u>121,817</u>	<u>18,151</u>	<u>139,968</u>
Net Position				
Restricted				
Individuals, Organizations, Endowments and Other Governments	<u>\$ 108,497</u>	<u>\$ 58,911</u>	<u>\$ (18,151)</u>	<u>\$ 149,257</u>

City of Worthington, Minnesota
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2022

	801	873	878	
	Olson Water	Garbage Collection	Waste Management Collection	Total
Additions				
Charges for services	\$ -	\$ 1,160,276	\$ 87,750	\$ 1,248,026
Miscellaneous	16,378	-	-	16,378
Total Additions	<u>16,378</u>	<u>1,160,276</u>	<u>87,750</u>	<u>1,264,404</u>
Deductions				
Other services and charges	<u>123,943</u>	<u>1,138,159</u>	<u>98,798</u>	<u>1,360,900</u>
Net Increase (Decrease) in Fiduciary Net Position	(107,565)	22,117	(11,048)	(96,496)
Net Position, January 1	<u>216,062</u>	<u>36,794</u>	<u>(7,103)</u>	<u>245,753</u>
Net Position, December 31	<u>\$ 108,497</u>	<u>\$ 58,911</u>	<u>\$ (18,151)</u>	<u>\$ 149,257</u>

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

	Totals		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 7,556,534	\$ 6,766,258	11.68 %
Special assessments	271,450	467,548	(41.94)
Licenses and permits	212,657	250,206	(15.01)
Intergovernmental	5,751,554	5,489,834	4.77
Charges for services	713,251	489,415	45.74
Fines and forfeits	46,212	43,182	7.02
Investment earnings (loss)	(160,928)	(244,154)	N/A
Miscellaneous	314,659	170,647	84.39
Total Revenues	<u>\$ 14,705,389</u>	<u>\$ 13,432,936</u>	9.47 %
Per Capita	<u>\$ 1,061</u>	<u>\$ 963</u>	10.15 %
Expenditures			
Current			
General government	\$ 1,955,318	\$ 1,947,520	0.40 %
Public safety	4,709,515	4,807,846	(2.05)
Public works	1,093,049	1,517,365	(27.96)
Culture and recreation	1,883,157	6,515,560	(71.10)
Conservation and development	785,732	2,485,531	(68.39)
Capital outlay			
General government	460,963	-	N/A
Public safety	246,891	-	N/A
Public works	4,513,187	2,352,618	91.84
Culture and recreation	5,501,227	3,132,364	75.63
Conservation and development	447,780	156,820	185.54
Debt service			
Principal	1,515,000	935,000	62.03
Interest and fiscal charges	444,520	466,451	(4.70)
Total Expenditures	<u>\$ 23,556,339</u>	<u>\$ 24,317,075</u>	(3.13) %
Per Capita	<u>\$ 1,699</u>	<u>\$ 1,744</u>	(2.53) %
Total Long-term Indebtedness	\$ 18,865,000	\$ 20,380,000	(7.43) %
Per Capita	1,361	1,461	(6.86)
General Fund Balance - December 31	\$ 8,974,952	\$ 9,700,735	(7.48) %
Per Capita	648	696	(6.91)

The purpose of this report is to provide a summary of financial information concerning the City of Worthington to interested citizens. The complete financial statements may be examined at City Hall, 303 9th Street, Worthington, MN 56187. Questions about this report should be directed to Debra Olsen at (507)372-8600.

STATISTICAL SECTION (UNAUDITED)

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Worthington's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Worthington, Minnesota
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Governmental Activities					
Net investment in capital assets	\$ 72,343,180	\$ 63,978,934	\$ 53,739,879	\$ 51,947,851	\$ 53,325,463
Restricted	6,141,383	2,107,112	1,734,331	1,306,039	1,338,780
Unrestricted	10,156,881	21,825,837	30,393,078	29,413,218	25,663,143
Total Governmental Activities Net Position	<u>\$ 88,641,444</u>	<u>\$ 87,911,883</u>	<u>\$ 85,867,288</u>	<u>\$ 82,667,108</u>	<u>\$ 80,327,386</u>
Business-type Activities					
Net investment in capital assets	\$ 71,174,206	\$ 69,154,954	\$ 70,090,450	\$ 67,178,537	\$ 66,823,983
Restricted	-	19,273,795	18,826,853	17,656,257	18,059,220
Unrestricted	49,871,382	30,734,708	27,656,689	26,832,627	23,332,449
Total Business-type Activities Net Position	<u>\$ 121,045,588</u>	<u>\$ 119,163,457</u>	<u>\$ 116,573,992</u>	<u>\$ 111,667,421</u>	<u>\$ 108,215,652</u>
Primary Government					
Net investment in capital assets	\$ 143,517,386	\$ 133,133,888	\$ 123,830,329	\$ 119,126,388	\$ 120,149,446
Restricted	6,141,383	21,380,907	20,561,184	18,962,296	19,398,000
Unrestricted	60,028,263	52,560,545	58,049,767	56,245,845	48,995,592
Total Primary Government Net Position	<u>\$ 209,687,032</u>	<u>\$ 207,075,340</u>	<u>\$ 202,441,280</u>	<u>\$ 194,334,529</u>	<u>\$ 188,543,038</u>

Table 1

Fiscal Year				
2017	2016	2015	2014	2013
\$ 50,860,906	\$ 48,666,336	\$ 48,492,325	\$ 46,964,381	\$ 45,162,900
1,011,716	837,812	499,512	1,755,879	1,902,920
31,168,137	28,621,645	28,700,040	33,810,768	32,834,830
<u>\$ 83,040,759</u>	<u>\$ 78,125,793</u>	<u>\$ 77,691,877</u>	<u>\$ 82,531,028</u>	<u>\$ 79,900,650</u>
\$ 61,335,680	\$ 60,565,819	\$ 58,444,053	\$ 58,409,545	\$ 59,044,651
17,467,132	17,112,566	16,377,873	15,681,813	15,245,084
24,153,301	20,459,563	19,343,981	19,010,682	18,493,561
<u>\$102,956,113</u>	<u>\$ 98,137,948</u>	<u>\$ 94,165,907</u>	<u>\$ 93,102,040</u>	<u>\$ 92,783,296</u>
\$112,196,586	\$109,232,155	\$106,936,378	\$105,373,926	\$104,207,551
18,478,848	17,950,378	16,877,385	17,437,692	17,148,004
55,321,438	49,081,208	48,044,021	52,821,450	51,328,391
<u>\$185,996,872</u>	<u>\$176,263,741</u>	<u>\$171,857,784</u>	<u>\$175,633,068</u>	<u>\$172,683,946</u>

City of Worthington, Minnesota
Changes in Net Position (Continued on the Following Pages)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2022	2021	2020	2019
Expenses				
Governmental Activities				
General government	\$ 1,857,980	\$ 1,687,668	\$ 2,487,531	\$ 1,556,521
Public safety	5,133,978	5,180,463	5,112,660	4,792,198
Public works	3,722,567	2,883,974	2,804,802	2,814,259
Culture and recreation	2,637,543	2,279,248	1,910,435	1,452,770
Conservation and development	1,046,934	899,717	3,126,641	674,845
Interest and fiscal charges	392,592	879,625	740,278	472,552
Total Governmental Activities Expenses	<u>14,791,594</u>	<u>13,810,695</u>	<u>16,182,347</u>	<u>11,763,145</u>
Business-Type Activities				
Water	3,017,013	2,746,360	2,671,871	2,635,308
Municipal wastewater	2,210,040	1,788,150	1,657,939	1,780,122
Electric	20,273,915	19,944,174	18,451,483	18,786,279
Industrial wastewater facility	2,497,235	2,056,566	1,996,310	1,776,696
Storm water management	553,928	450,122	332,841	337,918
Street lighting	46,664	48,387	49,610	50,984
Liquor	4,802,620	4,613,057	4,530,341	4,097,626
Airport	918,470	844,685	859,492	768,503
Memorial auditorium (1)	-	-	-	-
Cable television	125,045	122,410	124,256	127,788
Total Business-type Activities Expenses	<u>34,444,930</u>	<u>32,613,911</u>	<u>30,674,143</u>	<u>30,361,224</u>
Total Primary Government Expenses	<u>\$ 49,236,524</u>	<u>\$ 46,424,606</u>	<u>\$ 46,856,490</u>	<u>\$ 42,124,369</u>
Program Revenue				
Governmental Activities				
Charges for services				
General government	\$ 417,300	\$ 646,020	\$ 523,736	\$ 829,590
Public safety	53,837	92,115	103,883	277,956
Public works	87,655	82,687	87,720	106,914
Culture and recreation	367,852	179,323	97,720	176,876
Conservation and development	179,979	-	-	-
Operating grants and contributions	1,041,377	531,349	772,295	757,745
Capital grants and contributions	1,011,161	742,257	1,037,897	398,790
Total Governmental Activities Program Revenues	<u>3,159,161</u>	<u>2,273,751</u>	<u>2,623,251</u>	<u>2,547,871</u>
Business-type Activities				
Charges for services				
Water	4,201,679	4,010,810	3,839,553	3,575,846
Municipal wastewater	2,717,506	2,552,051	2,342,440	2,325,513
Electric	22,234,476	21,275,396	20,477,193	20,397,941
Industrial wastewater facility	2,324,897	1,849,590	1,809,292	1,822,341
Storm water management	728,140	707,151	701,926	664,978
Street lighting	269,268	265,831	264,791	263,641
Liquor	5,221,880	5,161,533	5,035,805	4,403,405
Airport	175,263	165,970	137,464	141,030
Memorial auditorium (1)	-	-	-	-
Cable television	121,650	122,410	124,256	127,788
Operating grants and contributions	100,046	(12,202)	86,802	73,231
Capital grants and contributions	241,821	135,850	599,583	843,518
Total Business-type Activities Program Revenues	<u>38,336,626</u>	<u>36,234,390</u>	<u>35,419,105</u>	<u>34,639,232</u>
Total Primary Government Program Revenues	<u>\$ 41,495,787</u>	<u>\$ 38,508,141</u>	<u>\$ 38,042,356</u>	<u>\$ 37,187,103</u>
Net (Expense) Revenue				
Governmental Activities	<u>\$ (11,632,433)</u>	<u>\$ (11,536,944)</u>	<u>\$ (13,559,096)</u>	<u>\$ (9,215,274)</u>
Business-type Activities	<u>3,891,696</u>	<u>3,620,479</u>	<u>4,744,962</u>	<u>4,278,008</u>
Total Primary Government Net Expense	<u>\$ (7,740,737)</u>	<u>\$ (7,916,465)</u>	<u>\$ (8,814,134)</u>	<u>\$ (4,937,266)</u>

Table 2

Fiscal Year					
2018	2017	2016	2015	2014	2013
\$ 1,567,638	\$ 1,774,849	\$ 2,015,986	\$ 2,436,264	\$ 1,975,297	\$ 1,914,185
4,827,514	3,904,169	5,324,523	4,262,523	4,056,319	3,902,531
2,500,047	2,514,522	2,399,382	2,398,598	2,261,725	4,966,535
1,471,973	1,570,691	1,675,764	1,703,391	1,540,770	1,342,048
530,297	472,180	682,774	704,712	615,851	819,208
368,554	389,415	366,482	382,164	494,122	543,567
11,266,023	10,625,826	12,464,911	11,887,652	10,944,084	13,488,074
2,828,102	2,642,004	2,699,733	2,669,252	2,849,765	2,246,012
1,777,982	1,516,610	1,700,461	1,575,148	1,552,144	1,574,900
19,177,873	18,662,026	19,025,873	19,370,140	17,738,999	16,624,300
1,748,704	1,713,977	1,654,849	1,644,558	1,675,000	1,643,566
331,170	273,000	313,449	303,938	273,418	229,320
55,762	84,648	123,443	148,450	124,409	110,096
3,869,019	3,303,920	3,282,401	3,164,181	3,003,084	2,813,698
745,099	735,318	712,703	700,870	695,305	584,484
-	-	-	-	-	250,718
127,788	131,680	143,274	149,487	157,876	154,328
30,661,499	29,063,183	29,656,186	29,726,024	28,070,000	26,231,422
\$ 41,927,522	\$ 39,689,009	\$ 42,121,097	\$ 41,613,676	\$ 39,014,084	\$ 39,719,496
\$ 772,544	\$ 844,482	\$ 483,600	\$ 667,173	\$ 537,195	\$ 646,428
284,190	247,223	257,870	277,256	293,387	307,022
96,370	90,791	92,722	143,169	115,690	120,586
167,454	162,831	169,374	205,963	247,482	176,252
-	-	-	-	-	-
689,018	723,096	881,775	952,580	917,054	3,470,885
50,000	1,881,962	1,352,727	-	78,932	2,051,302
2,059,576	3,950,385	3,238,068	2,246,141	2,189,740	6,772,475
3,855,574	3,840,879	3,762,729	3,795,799	3,625,569	3,312,719
2,247,113	2,210,851	2,103,485	2,064,250	1,960,337	2,045,198
20,613,652	21,264,674	20,779,517	20,351,158	18,882,006	18,086,277
1,723,607	1,595,874	1,638,371	1,562,248	1,577,378	1,656,235
628,386	592,605	577,718	561,735	559,478	556,675
285,611	285,245	284,610	267,924	256,645	255,674
4,135,970	3,774,433	3,735,141	3,642,919	3,449,343	3,261,540
177,333	220,049	187,189	160,692	193,477	189,432
-	-	-	-	-	52,849
127,788	131,680	143,274	149,487	157,876	154,328
83,967	84,459	74,352	77,383	78,608	60,469
2,508,904	273,973	810,215	475,566	211,971	553,266
36,387,905	34,274,722	34,096,601	33,109,161	30,952,688	30,184,662
\$ 38,447,481	\$ 38,225,107	\$ 37,334,669	\$ 35,355,302	\$ 33,142,428	\$ 36,957,137
\$ (9,206,447)	\$ (6,675,441)	\$ (9,226,843)	\$ (9,641,511)	\$ (8,754,344)	\$ (6,715,599)
5,726,406	5,211,539	4,440,415	3,383,137	2,882,688	3,953,240
\$ (3,480,041)	\$ (1,463,902)	\$ (4,786,428)	\$ (6,258,374)	\$ (5,871,656)	\$ (2,762,359)

City of Worthington, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2022	2021	2020	2019
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes	\$ 5,651,252	\$ 5,022,276	\$ 4,829,770	\$ 4,180,869
Tax increments	394,471	302,268	303,021	201,416
Hotel-motel taxes	182,333	182,508	134,869	-
Other taxes	1,349,550	1,196,188	911,471	195,915
Grants and contributions not restricted to specific programs	4,077,199	4,236,780	4,462,425	3,295,262
Unrestricted investment earnings (loss)	(160,928)	(258,262)	789,971	1,322,748
Other revenues	84,237	514,290	3,517,964	771,931
Gain on sale of capital assets	40,850	184,435	44,269	46,345
Transfers	1,000,165	1,822,575	1,199,384	1,328,276
Total Governmental Activities	<u>12,619,129</u>	<u>13,203,058</u>	<u>16,193,144</u>	<u>11,342,762</u>
Business-type Activities				
Property taxes, levied for specific purposes	-	-	-	5
Unrestricted investment earnings (loss)	(1,009,400)	300,623	409,254	694,667
Other revenues	-	517,968	1,059,646	92,282
Gain on sale of capital assets	-	13,251	30,804	7,954
Transfers	(1,000,165)	(1,822,575)	(1,199,384)	(1,328,276)
Total Business-type Activities	<u>(2,009,565)</u>	<u>(990,733)</u>	<u>300,320</u>	<u>(533,368)</u>
Total Primary Government	<u>\$ 10,609,564</u>	<u>\$ 12,212,325</u>	<u>\$ 16,493,464</u>	<u>\$ 10,809,394</u>
Changes in Net Position				
Governmental Activities	\$ 986,696	\$ 1,666,114	\$ 2,634,048	\$ 2,127,488
Business-type Activities	<u>1,882,131</u>	<u>2,629,746</u>	<u>5,045,282</u>	<u>3,744,640</u>
Total Primary Government	<u>\$ 2,868,827</u>	<u>\$ 4,295,860</u>	<u>\$ 7,679,330</u>	<u>\$ 5,872,128</u>

Table 2 (Continued)

Fiscal Year					
2018	2017	2016	2015	2014	2013
\$ 3,912,661	\$ 3,645,694	\$ 3,428,878	\$ 3,195,394	\$ 3,153,050	\$ 3,060,826
256,150	181,911	182,963	204,731	154,260	109,958
-	-	-	-	-	-
863,361	1,552,175	894,485	832,534	791,417	774,161
3,290,319	3,194,810	3,187,772	3,167,052	3,126,305	2,721,740
451,958	269,240	196,140	450,408	393,033	423,560
658,272	555,006	839,489	648,847	636,901	400,027
21,486	-	27,125	120,191	151,808	104,343
861,246	842,172	824,585	794,975	1,496,836	665,789
<u>10,315,453</u>	<u>10,241,008</u>	<u>9,581,437</u>	<u>9,414,132</u>	<u>9,903,610</u>	<u>8,260,404</u>
3	9	31	9,800	11	66,544
575,122	408,528	256,303	262,720	214,562	131,404
34,298	75,970	99,877	9,427	290,655	174,411
22,943	31,943	-	32,939	7,787	26,500
(861,246)	(842,172)	(824,585)	(794,975)	(1,496,836)	(665,789)
<u>(228,880)</u>	<u>(325,722)</u>	<u>(468,374)</u>	<u>(480,089)</u>	<u>(983,821)</u>	<u>(266,930)</u>
<u>\$ 10,086,573</u>	<u>\$ 9,915,286</u>	<u>\$ 9,113,063</u>	<u>\$ 8,934,043</u>	<u>\$ 8,919,789</u>	<u>\$ 7,993,474</u>
\$ 1,109,006	\$ 3,565,567	\$ 354,594	\$ (227,379)	\$ 1,149,266	\$ 1,544,805
<u>5,497,526</u>	<u>4,885,817</u>	<u>3,972,041</u>	<u>2,903,048</u>	<u>1,898,867</u>	<u>3,686,310</u>
<u>\$ 6,606,532</u>	<u>\$ 8,451,384</u>	<u>\$ 4,326,635</u>	<u>\$ 2,675,669</u>	<u>\$ 3,048,133</u>	<u>\$ 5,231,115</u>

City of Worthington, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
General Fund					
Nonspendable	\$ 884,245	\$ 462,925	\$ 392,543	\$ 362,765	\$ 403,597
Restricted	-	1,281	1,281	1,281	1,281
Committed	3,330,903	3,104,743	3,353,893	3,213,621	3,046,572
Assigned	1,046,893	1,208,544	700,815	905,310	798,871
Unassigned	3,712,911	4,923,242	4,922,865	4,702,472	2,437,683
Total General Fund	<u>\$ 8,974,952</u>	<u>\$ 9,700,735</u>	<u>\$ 9,371,397</u>	<u>\$ 9,185,449</u>	<u>\$ 6,688,004</u>
All Other Governmental Funds					
Nonspendable	\$ 27,787	\$ 25,994	\$ 24,608	\$ 25,785	\$ 28,613
Restricted	5,742,121	2,415,831	2,208,050	2,149,548	2,323,730
Committed	14,558,361	2,718,471	2,675,253	2,766,513	11,727,740
Assigned	2,182,702	20,578,369	27,119,551	22,812,632	11,466,143
Unassigned	(11,373,791)	(7,177,724)	(4,466,924)	(1,687,320)	(436,526)
Total All Other Governmental Funds	<u>\$ 11,137,180</u>	<u>\$ 18,560,941</u>	<u>\$ 27,560,538</u>	<u>\$ 26,067,158</u>	<u>\$ 25,109,700</u>

Table 3

Fiscal Year				
2017	2016	2015	2014	2013
\$ 360,405	\$ 362,813	\$ 376,609	\$ 382,782	\$ 330,728
1,281	1,281	1,281	1,281	1,281
3,104,734	3,248,058	2,970,656	2,782,328	2,661,776
735,741	890,151	912,662	1,075,652	1,115,799
3,934,230	4,048,626	4,201,047	4,216,095	1,934,032
<u>\$ 8,136,391</u>	<u>\$ 8,550,929</u>	<u>\$ 8,462,255</u>	<u>\$ 8,458,138</u>	<u>\$ 6,043,616</u>
\$ 26,632	\$ 27,338	\$ 26,763	\$ 27,704	\$ 26,723
2,129,623	2,122,518	2,054,199	3,310,668	3,460,960
11,749,137	11,110,591	10,562,543	10,227,310	10,990,300
11,960,606	12,763,471	11,033,347	11,396,981	11,524,446
(346,370)	(1,682,546)	(644,751)	(686,208)	(280,069)
<u>\$ 25,519,628</u>	<u>\$ 24,341,372</u>	<u>\$ 23,032,101</u>	<u>\$ 24,276,455</u>	<u>\$ 25,722,360</u>

City of Worthington, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Taxes	\$ 7,556,534	\$ 6,766,258	\$ 6,223,878	\$ 4,609,505	\$ 5,070,490
Special assessments	271,450	250,206	421,719	303,957	241,077
Intergovernmental revenue	5,751,554	43,182	43,015	62,108	85,569
Licenses and permits	212,657	489,415	475,214	772,980	721,628
Charges for services	713,251	467,548	294,830	556,248	513,361
Fines and forfeits	46,212	5,489,834	6,252,168	4,423,687	3,999,802
Interest income (loss)	(160,928)	273,334	350,997	556,686	501,425
Miscellaneous	314,659	(346,841)	3,501,421	1,212,302	359,492
Total Revenues	<u>14,705,389</u>	<u>13,432,936</u>	<u>17,563,242</u>	<u>12,497,473</u>	<u>11,492,844</u>
Expenditures					
General government	1,955,318	1,947,520	2,230,508	2,311,236	1,966,170
Public safety	4,709,515	4,807,846	5,259,453	5,056,465	4,649,502
Public works	1,093,049	1,517,365	1,020,645	3,607,953	2,411,618
Culture and recreation	1,883,157	6,515,560	4,921,484	2,754,210	1,890,014
Conservation and development	785,732	2,485,531	6,372,852	3,468,328	515,691
Capital outlay	11,170,048	5,641,802	4,680,166	2,028,627	1,618,884
Debt service					
Principal	1,515,000	935,000	720,000	2,380,000	1,240,000
Interest and fiscal charges	444,520	465,976	308,197	170,646	190,646
Bond issuance costs	-	475	68,700	83,380	-
Total Expenditures	<u>23,556,339</u>	<u>24,317,075</u>	<u>25,582,005</u>	<u>21,860,845</u>	<u>14,482,525</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,850,950)</u>	<u>(10,884,139)</u>	<u>(8,018,763)</u>	<u>(9,363,372)</u>	<u>(2,989,681)</u>
Other Financing Sources (Uses)					
Sale of capital assets	217,752	141,301	83,176	62,861	19,486
Transfers in	4,433,315	4,076,126	2,458,194	4,646,473	2,071,111
Bonds issued	-	-	7,970,000	8,815,258	-
Refunding bond proceeds	-	-	207,855	1,039,969	-
Premium on bonds issued	-	-	-	-	-
Transfers out	(3,183,150)	(2,003,551)	(1,021,134)	(3,068,197)	(959,231)
Total Other Financing Sources (Uses)	<u>1,467,917</u>	<u>2,213,876</u>	<u>9,698,091</u>	<u>11,496,364</u>	<u>1,131,366</u>
Net Change in Fund Balance	<u>\$ (7,383,033)</u>	<u>\$ (8,670,263)</u>	<u>\$ 1,679,328</u>	<u>\$ 2,132,992</u>	<u>\$ (1,858,315)</u>
Debt service as a percentage of noncapital expenditures	15.17%	12.11%	7.88%	19.77%	13.81%
Debt service as a percentage of total expenditures	8.32%	5.76%	4.02%	11.67%	9.88%

Table 4

Fiscal Year				
2017	2016	2015	2014	2013
\$ 5,409,886	\$ 4,538,765	\$ 4,298,838	\$ 4,124,664	\$ 3,977,376
289,298	271,807	268,803	248,953	207,094
53,111	77,955	111,998	122,973	122,693
818,300	709,419	790,568	787,952	747,617
473,916	213,401	388,988	282,747	379,978
5,783,951	5,395,518	4,105,232	4,122,291	8,243,927
432,255	404,748	445,057	388,563	420,769
94,032	356,314	382,051	388,030	192,933
<u>13,354,749</u>	<u>11,967,927</u>	<u>10,791,535</u>	<u>10,466,173</u>	<u>14,292,387</u>
1,822,013	1,817,413	2,301,690	1,883,574	1,912,412
4,703,445	4,118,678	4,007,798	4,012,697	3,963,496
1,167,872	952,890	967,061	769,468	3,403,318
1,299,260	2,518,827	1,209,344	1,240,707	3,745,753
555,003	603,643	621,232	533,539	788,651
2,801,912	3,251,562	975,289	1,213,879	2,970,908
1,190,000	1,275,000	2,785,000	1,530,000	2,220,000
206,886	211,565	221,369	279,213	286,201
-	41,598	77,716	59,930	56,613
<u>13,746,391</u>	<u>14,791,176</u>	<u>13,166,499</u>	<u>11,523,007</u>	<u>19,347,352</u>
<u>(391,642)</u>	<u>(2,823,249)</u>	<u>(2,374,964)</u>	<u>(1,056,834)</u>	<u>(5,054,965)</u>
63,188	-	139,752	186,859	205,231
2,891,875	1,740,142	1,749,711	3,607,807	4,922,536
-	3,150,000	-	-	-
-	-	-	-	-
-	46,609	-	-	-
<u>(1,799,703)</u>	<u>(715,557)</u>	<u>(754,736)</u>	<u>(1,910,971)</u>	<u>(4,056,747)</u>
<u>1,155,360</u>	<u>4,221,194</u>	<u>1,134,727</u>	<u>1,883,695</u>	<u>1,071,020</u>
<u>\$ 763,718</u>	<u>\$ 1,397,945</u>	<u>\$ (1,240,237)</u>	<u>\$ 826,861</u>	<u>\$ (3,983,945)</u>
14.08%	14.74%	25.04%	18.12%	18.16%
10.16%	10.05%	22.83%	15.70%	12.95%

City of Worthington, Minnesota
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 5

Fiscal Year	Property Taxes		Tax Increments	Franchise Tax	Hotel-Motel Tax	Other Tax	Total
	Levied for General Purposes	Levied for Debt Service					
2022	\$ 5,579,156	\$ 72,096	\$ 394,471	\$ -	\$ 182,333	\$ 1,349,550	\$ 7,775,637
2021	3,934,991	1,087,285	302,268	-	182,508	1,196,188	6,703,240
2020	3,746,240	1,083,530	303,021	-	134,869	911,471	6,179,131
2019	3,611,980	568,889	201,416	-	193,635	2,280	4,578,200
2018	3,254,463	658,198	256,150	-	-	863,361	5,032,172
2017	3,645,694	-	181,911	-	-	1,552,175	5,379,780
2016	3,428,878	-	182,963	-	-	894,485	4,506,326
2015	3,195,394	-	204,731	-	-	832,534	4,232,659
2014	3,153,050	-	154,260	-	-	791,417	4,098,727
2013	3,060,826	-	109,958	-	-	774,161	3,944,945

City of Worthington, Minnesota
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Hotel-Motel Tax	Other Tax	Total
2022	\$ 7,050,923	\$ 318,458	\$ 182,333	\$ 4,820	\$ 7,556,534
2021	5,085,294	302,268	182,508	1,196,188	6,766,258
2020	4,874,517	303,021	134,869	911,471	6,223,878
2019	4,212,174	201,416	193,635	2,280	4,609,505
2018	3,950,979	256,150	-	863,361	5,070,490
2017	3,675,800	181,911	-	1,552,175	5,409,886
2016	3,461,317	182,963	-	894,485	4,538,765
2015	3,261,573	204,731	-	832,534	4,298,838
2014	3,178,987	154,260	-	791,417	4,124,664
2013	3,093,257	109,958	-	774,161	3,977,376

City of Worthington, Minnesota
Net Tax Capacity and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31	Class of Property				
	Residential Property	Commercial/ Industrial Property	Public Utility Property	Agricultural Property	Less Tax Exempt Real Property
2022	\$ 656,620,511	\$ 193,963,000	\$ 72,149,000	\$ 7,321,774	\$ 53,069,315
2021	510,052,699	170,568,400	50,036,300	6,497,552	60,725,049
2020	488,654,346	166,644,100	43,028,900	7,729,356	61,545,698
2019	485,106,522	161,136,100	41,552,200	7,570,293	61,890,685
2018	477,576,927	149,793,700	37,036,000	7,200,082	61,180,391
2017	439,251,897	135,373,800	34,745,800	5,905,981	63,942,922
2016	430,625,274	130,329,200	32,299,600	5,098,578	63,794,600
2015	349,803,500	114,904,100	32,090,500	3,474,400	65,243,900
2014	346,642,400	115,176,063	32,378,200	3,669,700	129,915,800
2013	399,506,700	119,312,500	32,203,200	4,964,700	129,915,800

Source: Department of Assessor, Nobles County

Note: Property in Nobles County is reassessed every year on average. The county assesses property at approximately 100 percent of actual value for commercial, industrial and agricultural property and 93 percent for residential property. Estimated actual value is calculated by dividing assessed value by those percentages.

¹Includes tax-exempt property.

Table 7

Total Net Tax Capacity	Total Direct Tax Rate	Fully Taxable Market Value	Tax Capacity ¹ as a Percentage of Fully Market Value
\$ 876,984,970	55.854	\$ 1,006,049,900	92.45 %
676,429,902	61.222	819,002,600	90.01
644,511,004	56.634	789,173,900	89.47
633,474,430	55.612	778,090,400	89.37
610,426,318	50.628	745,240,800	90.12
551,334,556	52.378	694,980,300	88.53
534,558,052	55.494	676,091,000	88.50
435,028,600	52.991	577,896,400	86.57
367,950,563	52.745	556,125,000	89.52
426,071,300	55.796	546,946,000	101.65

City of Worthington, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Worthington			Overlapping Rates ¹ Nobles County			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Basic Rate	General Obligation Debt Service	Less: Disparity Aid Reduction	Total County Direct Rate
2022	47.544	8.310	55.854	32.904	0.683	(0.118)	33.469
2021	49.373	11.849	61.222	35.653	0.847	0.135	36.365
2020	44.331	12.303	56.634	33.530	2.110	0.138	35.502
2019	43.058	12.554	55.612	33.549	2.136	0.140	35.545
2018	43.743	6.885	50.628	32.294	2.489	0.751	34.032
2017	43.579	8.799	52.378	31.779	3.149	0.821	34.107
2016	44.285	11.209	55.494	32.230	3.251	1.010	34.471
2015	36.589	16.402	52.991	26.638	3.124	1.010	28.752
2014	37.654	15.091	52.745	31.010	0.677	-	31.687
2013	40.567	15.229	55.796	31.961	4.420	1.116	35.265

Source: Department of Assessor, Nobles County

¹Overlapping rates are those of local and county governments that apply to property owners within the City of Worthington. Not all overlapping rates apply to all City of Worthington property owners (e.g., the rates for special districts apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the special district).

Table 8

Independent School District #518					
Basic Rate	General Obligation Debt Service	Less: Disparity Aid Reduction	Total School Direct Rate	Special Districts	Total Direct & Overlapping Rates
21.003	4.700	(1.567)	24.136	3.441	116.900
14.373	13.091	0.241	27.223	4.139	128.949
12.806	13.539	0.242	26.103	4.231	122.470
16.027	13.518	0.242	29.303	4.242	124.702
10.305	8.169	0.943	17.531	4.247	106.438
7.170	10.080	1.030	16.220	4.534	107.239
9.483	10.104	1.265	18.322	4.240	112.527
5.273	10.572	1.262	14.583	4.042	100.368
14.389	11.268	-	25.657	2.262	112.351
8.378	13.787	1.395	20.770	4.128	115.959

City of Worthington, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 9

Taxpayer	2022			2013		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Swift & Company	\$ 722,478	1	7.8 %	\$ 276,986	2	4.8 %
Avera McKennan	359,956	2	3.9	277,304	1	4.9
Bedford Industries	221,400	3	2.4	86,830	5	1.5
Minnesota Energy	172,267	4	1.9	-		-
WCDJR Dealer Properties LLC	170,128	5	1.8	-		-
Intervet INC	124,610	6	1.3	-		-
Wal-Mart Real Estate	124,390	7	1.3	132,230	3	2.3
FFS Holdings LLC	109,906	8	1.2	-		-
Meadows of Worthington, LLC	108,798	9	1.2	79,066	7	1.4
Summer View Partners	108,562	10	1.2	-		-
Newport Laboratories Inc	-		-	64,415	8	1.1
Sioux Valley Hospitals & Health Care	-		-	43,920	10	0.8
Fareway Stores, Inc	-		-	46,552	9	0.8
Hy Vee Inc	-		-	88,644	4	1.6
Merck & Co	-		-	85,918	6	1.5
	<u>\$ 2,222,495</u>		<u>24.0 %</u>	<u>\$ 1,181,865</u>		<u>20.7 %</u>
Total All Property	<u>\$876,984,970</u>			<u>\$426,071,300</u>		

Source: Department of Assessor, Nobles County

City of Worthington, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31,	Total Net Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2022	\$ 5,681,256	\$ 5,617,667	98.9 %	\$ -	\$ 5,617,667	98.9 %
2021	5,052,541	5,009,651	99.2	42,890	5,052,541	100.0
2020	4,858,144	4,795,126	98.7	63,018	4,858,144	100.0
2019	4,198,687	4,156,548	99.0	42,139	4,198,687	100.0
2018	3,965,721	3,931,808	99.1	33,913	3,965,721	100.0
2017	3,675,697	3,662,597	99.6	13,100	3,675,697	100.0
2016	3,441,568	3,424,132	99.5	17,436	3,441,568	100.0
2015	3,262,150	3,235,927	99.2	26,223	3,262,150	100.0
2014	3,175,460	3,132,956	98.7	42,504	3,175,460	100.0
2013	3,147,136	3,095,324	98.4	51,812	3,147,136	100.0

SOURCE: Finance Department, City of Worthington

¹Total Tax Levy - does not include (HACA) Homestead and Agricultural Credit Aid or Residential and Agricultural Market Value Credit.

City of Worthington, Minnesota
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	General Obligation Tax Increment	Sales Tax Revenue Bonds	General Obligation Bonds ¹	Revenue Bonds	General Obligation Revenue Note
2022	\$ 11,614,147	\$ -	\$ 7,675,129	\$ - **	\$ 955,000	\$ 20,506,482
2021	12,675,341	-	8,163,120	- **	1,020,000	4,647,249
2020	13,631,535	-	8,176,111	- **	1,085,000	1,350,000
2019	14,372,729	-	-	- **	1,140,000	1,520,000
2018	6,355,862	-	551,993	- **	1,140,000	1,685,000
2017	7,060,793	-	1,094,167	- **	-	1,840,000
2016	7,725,724	-	1,626,340	- **	-	1,990,000
2015	5,282,216	-	2,153,514	- **	230,808	2,130,000
2014	7,543,982	20,000	2,670,688	- **	459,042	2,265,000
2013	8,552,338	30,000	2,312,862	875,000	677,276	2,395,000

Sources: Department of Assessor, Nobles County² and the Finance Department, City of Worthington.

¹Includes general obligation, general obligation revenue, general obligation grant anticipation, sales tax revenue bonds and revenue bonds supported by enterprise funds.

²See Table XVI for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

* Information not available

** Starting in 2014 the Memorial Auditorium Sales Tax Revenue Bond is shown under governmental activities.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Table 11

Total Primary Government		Percentage of Personal Income ²	Bonded Debt Per Capita ²
\$	40,750,758	N/A %	\$ 3,008
	26,505,710	2.21	1,957
	24,242,646	2.10	1,790
	17,032,729	1.74	1,260
	9,732,855	1.02	721
	9,994,960	1.07	742
	11,342,064	1.27	863
	9,796,538	1.02	754
	12,958,712	1.40	998
	14,842,476	1.69	1,157

City of Worthington, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			
	General Obligation Bonds	General Obligation Tax Increment	General Obligation Sales Tax Revenue	Total
2022	\$ 11,614,147	\$ -	\$ 7,675,129	\$ 19,289,276
2021	12,675,341	-	8,163,120	20,838,461
2020	13,631,535	-	8,176,111	21,807,646
2019	14,372,729	-	-	14,372,729
2018	6,355,862	-	551,993	6,907,855
2017	7,060,793	-	1,094,167	8,154,960
2016	7,725,724	-	1,626,340	9,352,064
2015	5,282,216	-	2,153,514	7,435,730
2014	7,543,982	20,000	2,670,688	10,234,670
2013	8,552,338	30,000	3,187,862	11,770,200

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 12

Resources Restricted in Debt Service for Repayment	Net General Bonded Debt	Percentage of Fully Taxable Market Value	Per Capita
\$ 3,374,193	\$ 15,915,083	1.58 %	\$ 1,212
2,105,831	18,732,630	2.29	1,178
2,208,174	19,599,472	2.48	1,447
1,304,758	13,067,971	1.68	966
1,337,499	5,570,356	0.75	413
1,010,435	7,144,525	1.03	530
836,531	8,515,533	1.26	648
498,231	6,937,499	1.20	534
1,754,598	8,480,072	1.53	653
1,901,639	9,868,561	1.80	769

City of Worthington, Minnesota
Direct and Overlapping Governmental Activities Debt
December 31, 2022

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Direct Debt ²			
City of Worthington	\$ 19,289,276	100.00 %	\$ 19,289,276
Overlapping Debt			
Independent School District #518	60,055,000	42.43	25,481,337
Nobles County	32,550,000	21.65	7,047,075
Total Overlapping Debt	<u>92,605,000</u>		<u>32,528,412</u>
Total Direct and Overlapping Debt	<u>\$ 111,894,276</u>		<u>\$ 51,817,688</u>

¹For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for other debt.

²Excludes debt payable from enterprise revenue.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Worthington. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Auditor's Department, Nobles County and Independent School District #518

City of Worthington, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

Table 14

Fiscal Year	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit
2022	\$ 30,181,497	\$ 8,163,423	\$ 22,018,074	27.05 %
2021	24,570,078	8,693,802	15,876,276	35.38
2020	23,675,217	8,749,181	14,926,036	36.96
2019	23,342,712	3,260,000	20,082,712	13.97
2018	22,357,224	-	22,357,224	-
2017	20,849,409	-	20,849,409	-
2016	20,282,730	-	20,282,730	-
2015	17,336,892	-	17,336,892	-
2014	16,683,750	-	16,683,750	-
2013	16,408,380	-	16,408,380	-

Sources: Springsted Inc. and Office of the State Auditor.

Legal Debt Margin Calculation for Fiscal Year 2022

Market Value	\$ 1,006,049,900
Debt Limit (3% of Market Value)	<u>30,181,497</u>
Debt Applicable to Limit	
General obligation bonds	19,289,276
Less amount set aside for repayment of general obligation debt	<u>11,125,853</u>
Total Net Debt Applicable to Limit	<u>8,163,423</u>
Legal Debt Margin	<u><u>\$ 22,018,074</u></u>

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City of Worthington, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Table 15

Water Revenue Bonds							
Fiscal Year	Operating Revenue	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2022	\$ 4,194,577	\$ 2,100,366	\$ 2,094,211	\$ 190,000	\$ 54,667	\$ 244,667	8.56
2021	4,010,810	1,846,790	2,164,020	180,000	63,216	243,216	8.90
2020	3,839,553	1,782,735	2,056,818	170,000	71,356	241,356	8.52
2019	3,575,846	1,775,280	1,800,566	165,000	79,250	244,250	7.37
2018	3,855,574	2,074,303	1,781,271	155,000	86,676	241,676	7.37
2017	3,840,879	1,901,001	1,939,878	150,000	93,745	243,745	7.96
2016	3,762,729	1,988,540	1,774,189	140,000	100,472	240,472	7.38
2015	3,795,799	1,955,946	1,839,853	135,000	106,951	241,951	7.60
2014	3,625,569	2,206,292	1,419,277	130,000	113,081	243,081	5.84
2013	3,312,719	1,667,281	1,645,438	125,000	119,087	244,087	6.74
Municipal Wastewater Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2022	\$ 2,714,972	\$ 1,715,261	\$ 999,711	\$ 701,821	\$ 47,424	\$ 749,245	1.33
2021	2,552,051	1,454,138	1,097,913	-	-	-	N/A
2020	2,342,440	1,301,933	1,040,507	-	-	-	N/A
2019	2,325,513	1,407,346	918,167	-	-	-	N/A
2018	2,247,113	1,449,346	797,767	-	-	-	N/A
2017	2,210,851	1,165,309	1,045,542	-	-	-	N/A
2016	2,103,485	1,356,722	746,763	-	-	-	N/A
2015	2,064,250	1,224,042	840,208	-	-	-	N/A
2014	1,960,337	1,199,917	760,420	-	-	-	N/A
2013	2,045,198	1,277,276	767,922	-	-	-	N/A
Electric Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2022	\$ 22,230,452	\$ 19,261,082	\$ 2,969,370	\$ -	\$ -	\$ -	-
2021	21,275,396	18,965,504	2,309,892	-	-	-	-
2020	20,477,193	17,484,214	2,992,979	-	-	-	-
2019	20,397,941	17,915,673	2,482,268	-	-	-	-
2018	20,613,652	18,384,490	2,229,162	-	-	-	-
2017	21,264,674	17,772,035	3,492,639	-	-	-	-
2016	20,779,517	18,132,243	2,647,274	230,000	6,900	236,900	11.17
2015	20,351,158	18,446,309	1,904,849	225,000	13,650	238,650	7.98
2014	18,882,006	16,830,443	2,051,563	215,000	20,100	235,100	8.73
2013	18,086,277	15,770,390	2,315,887	210,000	26,400	236,400	9.80
Industrial Wastewater Revenue Bonds							
Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2022	\$ 2,324,897	\$ 2,240,888	\$ 84,009	\$ -	\$ -	\$ -	N/A
2021	1,849,590	1,805,735	43,855	-	-	-	N/A
2020	1,809,292	1,742,924	66,368	-	-	-	N/A
2019	1,822,341	1,522,929	299,412	-	-	-	N/A
2018	1,723,607	1,497,103	226,504	-	-	-	N/A
2017	1,595,874	1,459,503	136,371	-	-	-	N/A
2016	1,638,371	1,402,139	236,232	-	-	-	N/A
2015	1,562,248	1,396,402	165,846	-	-	-	N/A
2014	1,577,378	1,430,528	146,850	-	-	-	N/A
2013	1,656,235	1,401,001	255,234	-	-	-	N/A

(1) Operating expenses do not include depreciation.

Source: City Administrative Business Department.

City of Worthington, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income	(3) Per Capita Personal Income	(4) Graduation Rates
2022	14,055	\$ - *	\$ - *	- *
2021	13,947	1,198,038,000	55,816	79.1
2020	13,546	1,155,582,000	53,549	78.7
2019	13,522	980,503,000	49,682	84.7
2018	13,497	954,815,000	49,682	90.2
2017	13,478	931,075,000	48,888	87.5
2016	13,145	891,410,000	48,427	87.9
2015	12,995	960,256,000	47,005	84.0
2014	12,982	923,156,000	44,149	90.0
2013	12,827	880,738,000	44,494	80.6

(1) 2010 Census and estimates by Community & Economic Development Department, City of Worthington

(2) Nobles County. Source: Regional Economic Information System, Bureau of Economic Analysis

(3) Nobles County. Source: Regional Economic Information System, Bureau of Economic Analysis

(4) Independent School District #518, Worthington Senior High. Source: Minnesota Department of Education

(5) Independent School District #518

(6) Nobles County. Source: Minnesota Employment and Economic Development, Local Area Unemployment Statistics (LAUS)

* Information not available.

Table 16

(5) School Enrollment	(6) Local Unemployment Rate	(6) Minnesota Unemployment Rate	(6) United States Unemployment Rate
3,329	2.25	2.52	3.65
3,361	3.01	3.41	5.36
3,241	3.98	6.18	8.10
3,409	3.05	3.24	3.67
3,269	2.63	2.91	3.90
3,209	3.35	3.46	4.35
3,133	3.80	3.94	4.87
3,077	3.25	3.71	5.30
2,979	3.35	4.09	6.17
2,823	3.98	5.08	7.38

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City of Worthington, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 17

	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
JBS	2,100	1	19.38 %	2,200	1	20.02 %
Independent School District #518	635	2	5.86	470	2	4.28
Sanford Health	404	3	3.73	360	3	3.28
Bedford Industries Inc.	365	4	3.37	262	4	2.38
Hy-Vee Food Stores	301	5	2.78	-		-
City of Worthington	185	6	1.71	-		-
Nobles County	184	7	1.70	157	8	1.43
Highland Manufacturing	180	8	1.66	-		-
Wal-Mart Super Center	178	9	1.64	220	6	2.00
Prairie Holdings	135	10	1.25	250	5	2.27
Client Community Services, Inc	-		-	160	7	1.46
MN West Community & Technical College	-		-	150	9	1.36
Atchison Enterprises Inc.	-		-	145	10	1.32
Total	<u>4,667</u>		<u>43.08 %</u>	<u>4,374</u>		<u>39.80 %</u>
Total City Employment	<u>10,837</u>			<u>10,990</u>		

*These figures include employees from other counties. Payroll is centralized in Worthington and are therefore included in the total.

Sources: Minnesota Department of Employment and Economic Development, Worthington Regional Economic Development Corporation & Worthington Area Chamber of Commerce.

City of Worthington, Minnesota
Full-Time Equivalent City Government Employees By Function/Program
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of December 31			
	2022	2021	2020	2019
Governmental Activities				
General Government				
Executive	3	3	3	3
City Clerk	2	2	3	3
Financial administration	4	4	4	4
Community development	8	10	11	10
Public Safety				
Police	35	35	34	36
Fire	2	2	2	2
Animal Control	1	1	0	0
Code enforcement ¹	1	2	2	2
Public works				
Streets	8	8	8	8
Culture and recreation				
Recreation ²	5	2	1	2
Parks	8	8	8	8
Business-type Activities				
Water	7	7	7	7
Municipal Wastewater	8	8	8	8
Electric	16	14	14	13
Liquor	7	7	7	7
Memorial Auditorium ²	0	0	0	0
Total	<u>116</u>	<u>114</u>	<u>113</u>	<u>112</u>

Source: Finance Department, City of Worthington

¹Starting in 2010 Code Enforcement (previously Sanitation) is included under Public Safety instead of Public Works.

²Starting in 2014 Memorial Auditorium is included under Recreation under Culture and recreation.

Not A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Table 18

Full-Time Equivalent Employees as of December 31					
2018	2017	2016	2015	2014	2013
3	3	3	3	3	3
3	2	3	2	2	2
4	4	4	4	4	4
9	10	10	9	10	9
35	36	38	35	35	35
2	1	1	2	1	2
1	1	1	1	1	1
1	1	1	1	1	1
8	8	6	5	6	6
2	2	2	3	4	3
8	7	8	8	7	7
7	7	7	7	7	7
8	8	9	8	8	8
13	14	14	14	14	14
7	6	6	6	6	6
0	0	0	0	0	1
111	108	113	108	107	109

City of Worthington, Minnesota
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2022	2021	2020	2019
General government				
Business licenses issued	79	66	64	78
Building permits issued	530	460	559	480
Estimated value of building permits issued	\$8,457,181	\$21,749,259	\$72,396,380	\$33,361,303
Other permits issued (sanitary sewer, excavation, plumbing, etc.)	241	236	206	254
Public safety				
Physical arrests	507	302	214	409
Citations (parking, etc.)	1,282	1,008	1,028	1,236
Alarms requiring response	218	196	219	219
Street value of drugs seized in searches	\$304,673	\$990,922	\$869,827	\$803,591
Ambulance calls	519	513	773	528
911 calls	1,468	1,488	1,589	1,487
Fire calls	37	35	28	26
Animals impounded	83	72	30	124
Animals adopted out or returned to owners	12	49	29	116
City nuisance code violations investigated ²	285	349	8,831	8,551
Junked/abandoned vehicles removed ²	172	78	N/A	N/A
Notices served for weed/grass complaints ²	67	208	938	908
Hours spent monitoring parking	520	141	265	280
Public works				
Sidewalk repaired at city cost (feet)	575	100	100	110
Asphalt hot patch (tons)	602	400	400	400
Concrete patch materials (yards)	75	55	50	50
Snowfall received (inches)	81.0	28.2	38.2	77.50
Cost of snow removal (per inch)	\$4,323	\$9,788	\$4,117	\$3,021
Personnel hours spent plowing/sanding	4,333	1,729	1,556	2,838
Faded stop/yield signs replaced	10	12	11	9
Personnel hours (full-time/part-time) for city-wide clean-up	250/150	251/76	296/27	275/24
Appliances hauled away at city-wide clean-up ¹	179	176	276	450
Culture and recreation				
Auditorium rental (days) ³	114	20	29	128
Days utilized ³	294	32	39	344
Annual audience ³	28,365	2,500	3,000	35,440
Number of registrants in various recreation programs ⁴	275	322	181	401
Paid golf memberships ⁴	N/A	N/A	N/A	N/A
Shelter house reservations at parks	147	129	98	102
Camping units served at Olson Park Campground	2,196	2,001	1,378	2,051
Conservation and development				
Trees planted				
Street boulevards	143	67	60	11
Parks	21	43	10	47
Trees removed				
Street boulevards	211	163	207	55
Parks	14	20	38	39

Table 19

Fiscal Year					
2018	2017	2016	2015	2014	2013
81	83	85	82	62	64
464	567	599	617	623	592
\$19,084,512	\$28,618,611	\$20,751,921	\$17,407,919	\$13,075,162	\$8,651,931
177	204	161	144	143	122
374	321	362	407	649	762
1,477	1,320	1,518	1,884	2,138	2,008
247	184	181	214	209	186
\$2,781,330	\$1,304,362	\$379,596	\$256,000	\$181,600	\$252,725
548	608	608	589	537	522
1,360	1,422	1,420	1,454	1,395	1,745
31	39	36	57	39	61
94	58	84	68	62	82
93	58	84	68	59	80
8,422	8,329	8,301	8,112	8,086	8,021
N/A	N/A	N/A	4	2	3
953	893	771	583	489	741
205	220	210	240	388	200
100	100	150	295	301	156
400	400	400	413	219	240
45	40	45	36	157	190
79.6	26.6	41.4	41.8	44.8	56
\$2,709	\$3,610	\$2,483	\$2,697	\$1,908	\$2,097
2,816	958	1,623	1,587	1,382	1,390
10	7	8	12	9	10
244/40	193/173	283/0	196/20	248/214	190/126
512	581	577	154	33	138
114	74	53	48	36	N/A
330	224	209	142	135	N/A
32,350	27,400	25,530	24,600	22,500	N/A
411	418	377	379	415	402
N/A	N/A	N/A	N/A	136	167
107	124	133	106	108	102
2,157	2,307	2,224	2,689	2,249	N/A
N/A	39	45	250	N/A	N/A
19	11	10	N/A	N/A	1
65	40	42	40	47	725
20	25	13	14	4	225

City of Worthington, Minnesota
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2022	2021	2020	2019
Business-type activities:				
Water				
Average daily consumption (gallons)				
Commercial	443,499	447,347	438,397	428,000
Residential	637,299	653,191	679,547	656,525
Industrial	1,699,549	1,761,366	1,693,694	1,689,939
Municipal Wastewater				
Average sewage treated (million gallons per day)	1.70	1.68	2.01	2.62
Electric				
Average daily consumption (KWH)				
Residential	99,955	99,075	100,938	99,969
Commercial	174,136	168,394	168,236	183,581
Industrial	332,980	338,819	322,575	322,703
Industrial Wastewater Facility				
Average gallons treated (million gallons per day)	1.89	1.63	1.63	2.00
Storm Water Management ⁵				
Debris/leaves collected sweeping (yards)	N/A	N/A	N/A	N/A
Average cost per lane mile of street sweeping	N/A	N/A	N/A	N/A
Liquor				
Customers served	168,111	170,213	170,577	166,694
Average daily sales	\$14,648	\$14,342	\$14,027	\$12,265
Airport				
Hangars rented	18	10	18	19
Fuel pumped (gallons)	44,282	42,002	43,070	36,712
Memorial Auditorium ³				
Auditorium rental (days)	N/A	N/A	N/A	N/A
Days utilized	N/A	N/A	N/A	N/A
Annual audience	N/A	N/A	N/A	N/A

Sources: Various city departments

¹The City of Worthington provided this service starting in 2005 with no additional charge, whereas in previous years this was arranged by the Worthington Chamber of Commerce for a nominal fee. Starting in 2011, the City charged a nominal fee.

²Starting in 2010 the code enforcement (community service officer) activity is accounted for under the public safety program.

³Starting in 2014 the Memorial Auditorium activity is accounted for under culture and recreation program.

⁴Starting in 2015, golf course information was not available. The course was decommissioned starting in 2016.

⁵Starting in 2017 the debris from sweeping is no longer tracked. The debris is dumped and disposed of by a private party.

Not Indicators are not available for the cable television function.

Table 19 (Continued)

Fiscal Year					
2018	2017	2016	2015	2014	2013
441,769	458,067	463,953	475,377	442,688	456,050
652,050	640,869	647,466	622,734	633,918	661,643
1,639,416	1,635,422	1,624,405	1,627,945	1,461,566	1,484,727
2.36	1.94	2.25	1.56	1.37	1.38
101,231	92,965	99,490	94,029	96,864	100,361
186,033	178,255	182,360	182,705	183,468	181,011
309,338	312,230	308,575	303,011	277,541	293,345
1.77	1.70	1.74	1.58	1.44	1.51
N/A	N/A	1,785	1,972	1,604	3,850
N/A	N/A	\$30.99	\$32.09	\$34.16	\$27.43
162,456	151,051	151,337	150,707	147,325	144,514
\$11,650	\$11,472	\$12,088	\$11,866	\$11,235	\$10,624
19	19	20	20	19	16
60,303	70,826	70,252	74,804	70,027	72,052
N/A	N/A	N/A	N/A	N/A	34
N/A	N/A	N/A	N/A	N/A	169
N/A	N/A	N/A	N/A	N/A	19,886

City of Worthington, Minnesota
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2022	2021	2020	2019
General government				
Engineering/Community development				
Vehicles	4	4	4	4
Public safety				
Police				
Buildings ¹	1	1	1	1
Square footage of holding/booking area ¹	12,000	12,000	12,000	12,000
Capacity of jail cells (individuals) ¹	104	104	104	104
Patrol units	12	12	12	11
Other vehicles	11	12	11	11
Fire				
Stations	1	1	1	1
Fire vehicles	8	9	9	8
Animal control vehicles	1	1	1	1
Public works				
Streets (miles)	75.5	75.5	74.6	74.6
Highway (miles)	7.8	7.8	7.8	7.8
Traffic signals	3	3	4	4
Stop signs	262	256	256	252
Snow removal equipment (plows, haulers)	14	14	14	14
Culture and recreation				
Memorial Auditorium				
Number of stages ²	2	2	2	2
Facility seating ²	657	657	657	657
Parks and recreation				
Acreage	167	167	167	167
Playgrounds with play structures	18	18	18	18
Softball diamonds	2	2	2	2
Soccer fields	3	3	3	3
Tennis courts	3	3	3	3
Beaches	3	3	3	3
Boat landings	4	4	4	4
Public docks	10	9	9	9
Golf courses ³	0	0	0	0
Bandshells for public performances	1	1	1	1
Campgrounds	1	1	1	1
Conservation and development				
Lakes	1	1	1	1
City maintained lake shoreline (miles)	4.5	4.5	4.5	4.5

Table 20

Fiscal Year					
2018	2017	2016	2015	2014	2013
4	4	4	4	3	3
1	1	1	1	1	1
12,000	12,000	12,000	12,000	12,000	12,000
104	104	104	104	104	104
12	12	12	12	12	11
9	10	10	9	9	11
1	1	1	1	1	1
9	9	8	8	8	8
1	1	1	1	1	1
74.6	74.6	68.2	67.4	67.3	67.3
7.8	7.8	7.8	7.8	9.1	9.1
3	3	3	4	5	5
244	240	235	235	229	229
14	14	13	13	13	13
2	2	2	2	2	N/A
707	735	735	735	735	N/A
167	167	167	167	167	167
18	18	18	18	18	18
2	2	2	2	2	2
3	3	3	3	3	3
3	3	3	3	3	3
3	3	3	3	3	3
4	4	4	4	4	4
8	8	8	8	8	8
0	0	0	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
4.5	4.5	4.5	4.5	4.5	4.5

City of Worthington, Minnesota
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2022	2021	2020	2019
Business-type activities:				
Water				
Water mains (miles)	91.6	82.9	81.2	81.1
Number of connections (residential, commercial, industrial & seasonal)	4,221	4,214	4,203	4,193
Fire hydrants	674	670	649	639
Storage capacity				
Ground level (thousands of gallons)	2,200	2,200	2,200	2,200
Elevated (thousands of gallons)	2,000	2,300	2,300	2,300
Municipal Wastewater				
Sanitary sewers (miles)	57.0	57.0	56.2	56.2
Average treatment capacity (million of gallons per day)	2.78	2.78	2.75	2.75
Maximum daily treatment capacity (million gallons per day)	4.0	4.0	4.0	4.0
Electric				
Number of distribution stations	3	2	2	2
Service lines-primary (miles)	130	120	120	119
Service line-secondary (miles)	185	185	185	182
Streetlights	2,082	2,045	2,045	2,014
Storm Water Management				
Storm sewers (miles)	52.7	52.7	52.7	52.7
Liquor				
Buildings	1	1	1	1
Square footage (feet)	1,240	1,240	1,240	1,240
Number of coolers	3	3	3	3
Parking Systems ⁴				
Parking lots	5	5	5	5
Airport				
Acreage	512	512	512	512
Terminals	1	1	1	1
Individual hangars	22	22	22	22
Commercial hangars	2	2	2	2
Runways	2	2	2	2
Runway approaches	4	4	4	4
Memorial Auditorium ²				
Number of stages	N/A	N/A	N/A	N/A
Facility seating	N/A	N/A	N/A	N/A

Sources: Various city departments

¹This facility and its components are shared with Nobles County and the city rents space from the county.

²Starting in 2014 the Memorial Auditorium activity is accounted for under culture and recreation programs.

³Starting in 2004 the golf course is accounted for in the recreation program.

⁴Starting in 2007 the parking systems activity is accounted for in the general fund.

Note: Indicators are not available for the industrial wastewater facility and cable television functions.

Table 20 (Continued)

Fiscal Year					
2018	2017	2016	2015	2014	2013
80.8	79.9	79.9	79.2	78.9	78.9
4,164	4,157	4,155	4,112	4,075	4,044
635	625	625	621	621	613
2,200	2,200	2,200	2,200	2,200	2,200
2,300	2,300	2,300	2,300	2,300	2,300
55.9	55.1	55.1	55.1	55.1	55.1
2.75	2.74	2.25	1.57	1.37	1.32
4.0	4.0	4.0	4.0	4.0	4.0
2	2	2	2	2	2
115	115	130	130	125	125
143	143	175	175	175	175
1,957	1,957	1,958	1,899	1,900	1,900
52.7	52.7	52.7	52.7	52.7	52.7
1	1	1	1	1	1
1,240	6,750	6,750	6,750	6,750	6,750
3	2	2	2	2	2
5	5	5	5	5	5
512	512	512	512	512	512
1	1	1	1	1	1
22	22	22	22	22	20
2	2	2	2	2	2
2	2	2	2	2	2
4	4	4	4	4	4
N/A	N/A	N/A	N/A	N/A	2
N/A	N/A	N/A	N/A	N/A	735

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Worthington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Worthington, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, 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.



Abdo
Mankato, Minnesota
September 20, 2023

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

Honorable Mayor and City Council
City of Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Worthington, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. As reported in the Schedule of Findings, Responses and Questioned Costs, we identified a deficiency in internal control that we consider to be a material weakness as finding 2022-001 and a significant deficiency as finding 2022-002 .

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*.

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 responses. The City's responses was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Abdo
Mankato, Minnesota
September 20, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Worthington, Minnesota

Opinion on Each Major Federal Program

We have audited the City of Worthington's, Worthington, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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 each major federal program. Our audit does not provide a legal determination of the City'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 City's federal programs.

Auditor's Responsibilities for the 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'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 generally accepted auditing standards, *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's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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'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'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'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.



Abdo
Mankato, Minnesota
September 20, 2023



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City of Worthington, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety Safe and Sober	20.600	F-ENFRC22-2022-WORTHIPD-5504/5672	\$ 20,865	
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Ofeenders for Driving While Intoxicated	20.608	F-ENFRC22-2022-WORTHIPD-5672	8,784	
U.S. Department of Transportation	Minnesota Department of Transportation	National Prioirty Safety Programs	20.616	F-ENFRC22-2022-WORTHIPD-5504/5672	<u>7,820</u>	
Total Highway Safety Cluster						\$ 37,469
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Clean Water State Revolving Funds	66.458	CWRF-L-008-FY22	<u>16,751,054</u>	
Total Clean Water State Revolving Fund Cluster						16,751,054
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106			241,821
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027C	N/A		705,711
U.S. Department of Health and Human Services	Direct	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A		<u>127,357</u>
Total Federal Expenditures						<u><u>\$17,863,412</u></u>

City of Worthington, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Worthington, Minnesota (the City) under programs of the federal government for the year ended December 31, 2022. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule 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 operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

4. Subrecipients

There were no expenditures in the current year provided to subrecipients.

5. Indirect Cost Rate

During the year ended December 31, 2022 the City did not elect to use the 10 percent de minimis indirect cost rate.

City of Worthington, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended December 31, 2022

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?	Yes
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 2CFR section 200.516(a) of the Uniform Guidance.	No

Identification of Major Programs/Clusters

	<u>CFDA No.</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458
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

One significant deficiency (finding 2022-002) and one material weakness (2022-001) relating to the audit of the financial statements is reported in the 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.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings and they are included in the Schedule of Prior Audit Findings

Other Issues

A Corrective Action Plan is attached as required to be reported under the Federal Single Audit Act.

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

<u>Finding</u>	<u>Description</u>
2022-001	Material Audit Adjustments
<i>Condition:</i>	During our audit, prior period adjustments were needed to record accumulated depreciation on projects capitalized in current year but placed into service in prior years, adjust beginning accrued interest amounts, adjust special assessments receivables, and to move unspent grant revenues that were incorrectly recognized in the prior year to unearned revenue.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff did not capitalize projects in years past as they were placed into service. Accrued interest was incorrectly calculated, and unspent grant revenues were recognized in the prior year, but should have been put into unearned revenue.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each open project at year-end and determine if any are complete and need to be capitalized and that grants are reviewed closely to determine the most appropriate fund to record them in.
<i>Management Response:</i>	
	Management will review grants, debt and construction in progress accounts thoroughly in the future.
2022-002	Unauthorized Interfund Transfers
<i>Condition:</i>	During our audit, we noted not all interfund transfers were authorized by the Council.
<i>Criteria:</i>	Interfund transfers are to be authorized by Council by resolution.
<i>Cause:</i>	Interfund transfers were made that Council did not authorize by resolution.
<i>Effect:</i>	It is likely that if unauthorized transactions were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review authorization of interfund transfers before they are made.
<i>Management Response:</i>	
	Management will ensure interfund transfers are authorized by Council by resolution in the future.



FINANCE DEPARTMENT

CITY OF WORTHINGTON # 303 NINTH STREET, PO Box 279 # WORTHINGTON, MN 56187
TELEPHONE: (507) 372-8600 # FAX: (507) 372-8630 # www.ci.worthington.mn.us

2022-001 Material Audit Adjustments

Corrective Action Plan (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City will review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

3. Official Responsible for Ensuring CAP:

Debra Olsen, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

December 31, 2023

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Debra Olsen
Finance Director



FINANCE DEPARTMENT

CITY OF WORTHINGTON # 303 NINTH STREET, PO Box 279 # WORTHINGTON, MN 56187
TELEPHONE: (507) 372-8600 # FAX: (507) 372-8630 # www.ci.worthington.mn.us

2022-002 Unauthorized Interfund Transfers

Corrective Action Plan (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City will ensure all transfers are authorized by Council by resolution.

3. Official Responsible for Ensuring CAP:

Debra Olsen, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

December 31, 2023

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Debra Olsen
Finance Director

City of Worthington, Minnesota
Schedule of Prior Year Findings
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2021-001	Untimely Preparation of Schedule of Expenditures of Federal Awards Resulted in Late Filing of the Single Audit Reporting Package to the Federal Audit Clearinghouse
<i>Condition:</i>	Because the City expended more than \$750,000 of federal awards, Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a single audit of grant and loan activities to be performed. The City's current accounting process does not track federal funds. A manual process is used. The amount of federal expenditures was not known in time to submit the Single Audit reporting package to the Federal Audit Clearinghouse by the federally required deadline.
<i>Criteria:</i>	OMB's Uniform Guidance, Title 2, Part 200, Subpart F Audit Requirements, paragraph .512 requires the single audit to be completed and the data collection form and reporting package to be submitted within the earlier of 30 calendar days after receipt of the auditor's report, or nine months after the end of the audit period.
<i>Cause:</i>	City departments that receive federal awards did not communicate the federal expenditures to the finance director. Untimely discovery of federal program expenditure led to late preparation of the SEFA and submission of the Single Audit reporting package.
<i>Effect:</i>	Due to deficiencies in internal control over federal awards, untimely preparation of the SEFA caused delays in planning the single audit and subsequent testing of the SEFA and major programs. As a result, the City did not submit the Single Audit reporting package to the Federal Audit Clearinghouse by the federally required deadline. Non-compliance with the reporting requirements is a violation of federal grants terms and conditions and could affect future funding.
<i>Recommendation:</i>	We recommend policies in place and enforced requiring the departments that receive federal funding to keep track of federal expenditures and communicate with the finance director throughout the year to ensure accurate and timely preparation of the SEFA and submission to the Federal Audit Clearinghouse.
<i>Update:</i>	
Finding was removed for the current year.	

FORM OF LEGAL OPINION

(See following pages)

Form of Legal Opinion

City of Worthington
Worthington, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Sales Tax Revenue Bonds, Series 2023A
 City of Worthington, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance, and sale by the City of Worthington, Minnesota (the “City”), of its General Obligation Sales Tax Revenue Bonds, Series 2023A dated, as originally issued, as of December [], 2023, in the total principal amount of \$[PAR] (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and based upon laws, regulations, rulings and decisions in effect on the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes duly levied on all taxable property in the City and the collection of sales and use taxes imposed by the City and pledged to the payment of the Bonds; which ad valorem taxes and sale and use tax revenues are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, and, to any extent not so paid, from additional ad valorem taxes required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated: December [___], 2023.

Very truly yours,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)**

(See following pages)

FORM OF CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, “Beneficial Owner” means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2023, the following financial information and operating data in respect of the City (the “Disclosure Information”):

(A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations, Direct Debt, Tax Levies and Collections, US Census Data/Population Trend, and Employment/Unemployment Data, which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or to the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect, provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each, a “Material Fact”):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if material;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in

possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
- (C) the termination of the obligations of the City under this section pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
- (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

(1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of

the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

TERMS OF PROPOSAL

\$5,140,000* GENERAL OBLIGATION SALES TAX REVENUE BONDS, SERIES 2023A CITY OF WORTHINGTON, MINNESOTA

Proposals for the purchase of \$5,140,000* General Obligation Sales Tax Revenue Bonds, Series 2023A (the "Bonds") of the City of Worthington, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on November 13, 2023, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Session laws - 2019, 1st Special Session, Chapter 6, Article 6, Section 33 and Minnesota Statutes, Chapters 475, as amended, by the City, to finance sales tax projects including reimbursement of expenses related to the Aquatic Center Project. The Bonds will be general obligations of the City, for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 7, 2023, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$350,000	2029	\$450,000	2033	\$525,000
2026	395,000	2030	465,000	2034	550,000
2027	415,000	2031	485,000	2035	570,000
2028	430,000	2032	505,000		

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial Bonds and term Bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2024, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City will select City officials or a bank or trust company to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 7, 2023, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$5,078,320 plus accrued interest on the principal sum of \$5,140,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$102,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Worthington, Minnesota

PROPOSAL FORM

The City Council
City of Worthington, Minnesota (the "City")

November 13, 2023

RE: \$5,140,000* General Obligation Sales Tax Revenue Bonds, Series 2023A (the "Bonds")

DATED: December 7, 2023

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$5,078,320) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2029	_____ % due	2033
_____ % due	2026	_____ % due	2030	_____ % due	2034
_____ % due	2027	_____ % due	2031	_____ % due	2035
_____ % due	2028	_____ % due	2032		

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$102,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 7, 2023.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 7, 2023 of the above proposal is \$_____ and the true interest cost (TIC) is ____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Worthington, Minnesota, on November 13, 2023.

By: _____	By: _____
Title: _____	Title: _____