

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)

\$4,090,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023B

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 \$4,090,000* General Obligation Improvement Bonds, Series 2023B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City of Worthington, Minnesota (the "City"), for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith and 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:

| Year | Amount* | Year | Amount* | Year | Amount* |
|------|-----------|------|-----------|------|-----------|
| 2025 | \$310,000 | 2030 | \$250,000 | 2035 | \$280,000 |
| 2026 | 235,000 | 2031 | 260,000 | 2036 | 290,000 |
| 2027 | 240,000 | 2032 | 265,000 | 2037 | 300,000 |
| 2028 | 245,000 | 2033 | 270,000 | 2038 | 305,000 |
| 2029 | 250,000 | 2034 | 275,000 | 2039 | 315,000 |

***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: \$4,040,920.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$81,800 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).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



BUILDING COMMUNITIES. IT'S WHAT WE DO.

info@ehlers-inc.com

1 (800) 552-1171

www.ehlers-inc.com

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; 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.

TABLE OF CONTENTS

| | | | |
|---|----|---|-----|
| INTRODUCTORY STATEMENT..... | 1 | TAX LEVIES, COLLECTIONS AND RATES | 21 |
| | | TAX LEVIES AND COLLECTIONS | 21 |
| THE BONDS | 1 | TAX CAPACITY RATES | 21 |
| GENERAL | 1 | THE ISSUER | 22 |
| OPTIONAL REDEMPTION | 2 | CITY GOVERNMENT..... | 22 |
| AUTHORITY; PURPOSE | 2 | EMPLOYEES; PENSIONS; UNIONS | 22 |
| ESTIMATED SOURCES AND USES | 2 | POST EMPLOYMENT BENEFITS..... | 22 |
| SECURITY..... | 2 | LITIGATION | 22 |
| CONCURRENT FINANCING..... | 3 | MUNICIPAL BANKRUPTCY..... | 23 |
| RATING | 3 | FUNDS ON HAND..... | 23 |
| CONTINUING DISCLOSURE..... | 3 | ENTERPRISE FUNDS..... | 24 |
| LEGAL OPINION | 4 | SUMMARY GENERAL FUND INFORMATION..... | 26 |
| TAX CONSIDERATIONS..... | 4 | GENERAL INFORMATION | 27 |
| MUNICIPAL ADVISOR | 7 | LOCATION | 27 |
| MUNICIPAL ADVISOR AFFILIATED COMPANIES..... | 7 | LARGER EMPLOYERS | 27 |
| INDEPENDENT AUDITORS | 8 | BUILDING PERMITS | 28 |
| RISK FACTORS..... | 8 | U.S. CENSUS DATA | 29 |
| VALUATIONS..... | 10 | EMPLOYMENT/UNEMPLOYMENT DATA..... | 29 |
| OVERVIEW | 10 | FINANCIAL STATEMENTS..... | A-1 |
| CURRENT PROPERTY VALUATIONS..... | 11 | FORM OF LEGAL OPINION | B-1 |
| 2022/23 NET TAX CAPACITY BY CLASSIFICATION .. | 11 | BOOK-ENTRY-ONLY SYSTEM | C-1 |
| TREND OF VALUATIONS..... | 12 | FORM OF CONTINUING DISCLOSURE COVENANTS | |
| LARGEST TAXPAYERS..... | 12 | (EXCERPTS FROM SALE RESOLUTION)..... | D-1 |
| DEBT | 13 | TERMS OF PROPOSAL | E-1 |
| DIRECT DEBT | 13 | PROPOSAL FORM | |
| DEBT PAYMENT HISTORY | 13 | | |
| FUTURE FINANCING..... | 13 | | |
| DEBT LIMIT | 14 | | |
| SCHEDULES OF BONDED INDEBTEDNESS | 15 | | |
| OVERLAPPING DEBT | 19 | | |
| DEBT RATIOS..... | 20 | | |

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 \$4,090,000* General Obligation Improvement Bonds, Series 2023B (the "Bonds" or the "Series 2023B 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 Statutes, Chapters 429 and 475, as amended, by the City for the purpose of financing the Street Improvement Project.

ESTIMATED SOURCES AND USES*

| | | |
|---------------------------------------|--------------------|--------------------|
| Sources | | |
| Par Amount of Bonds | <u>\$4,090,000</u> | |
| Total Sources | | \$4,090,000 |
| Uses | | |
| Total Underwriter's Discount (1.200%) | \$49,080 | |
| Costs of Issuance | 64,500 | |
| Capitalized Interest | 115,110 | |
| Deposit to Construction Fund | 3,859,704 | |
| Rounding Amount | <u>1,606</u> | |
| Total Uses | | \$4,090,000 |

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds.

Should the 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 other fund of the City not pledged for another purpose and/or to levy additional taxes 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 Sales Tax Revenue Bonds, Series 2023A (the "Concurrent Obligations" or the "Series 2023A 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 (special assessments) 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 \$1,070,832,709¹

2022/23 Assessor's Estimated Market Value

| | |
|-------------------|-------------------------------|
| Real Estate | \$991,521,700 |
| Personal Property | 14,528,200 |
| Total Valuation | <u><u>\$1,006,049,900</u></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><u>\$11,753,793</u></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 | <u>232,028</u> | <u>1.92%</u> |
| Total | <u><u>\$12,069,276</u></u> | <u><u>100.00%</u></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 | 108,562 | 0.90% |
| 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 | <u>\$30,181,497</u> |
| 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 14,052 ¹ |
|--|----------------------------|--|--|
| 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% |
|------------------------------|----------|----------|----------|----------|----------|

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 |
|--|--------|

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Worthington, Minnesota
Table of Contents
For the Year Ended December 31, 2022

| | <u>Page No.</u> |
|---|-----------------|
| Introductory Section | |
| Letter of Transmittal | 9 |
| List of Elected and Appointed Officials | 13 |
| Organizational Chart | 15 |
| GFOA Certificate of Achievement for Excellence in Financial Reporting | 17 |
| Financial Section | |
| Independent Auditor's Report | 21 |
| Management's Discussion and Analysis | 25 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 39 |
| Statement of Activities | 40 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 44 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 47 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 48 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 50 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | |
| General Fund | 51 |
| WRH Fund | 52 |
| Recreation Fund | 53 |
| Economic Development Authority Fund | 54 |
| Proprietary Funds | |
| Statement of Net Position | 55 |
| Statement of Revenues, Expenses and Changes in Net Position | 56 |
| Statement of Cash Flows | 57 |
| Fiduciary Funds | |
| Statement of Fiduciary Net Position | 58 |
| Statement of Changes in Fiduciary Net Position | 59 |
| Notes to the Financial Statements | 61 |
| Required Supplementary Information | |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund | 104 |
| Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund | 104 |
| Notes to the Required Supplementary Information - General Employees Retirement Fund | 105 |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund | 107 |
| Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund | 107 |
| Notes to the Required Supplementary Information - Public Employees Police and Fire Fund | 108 |
| Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios | 110 |
| Notes to the Required Supplementary Information - Fire Relief Association's Net Pension Liability (Asset) | 110 |
| Schedule of Employer's Fire Relief Association Contributions | 111 |
| Schedule of Changes in the City's Total OPEB Liability and Related Ratios | 111 |
| Notes to the Required Supplementary Information - Total OPEB Liability | 112 |

City of Worthington, Minnesota
Table of Contents (Continued)
For the Year Ended December 31, 2022

| | <u>Page No.</u> |
|---|-----------------|
| Combining and Individual Fund Financial Statements and Schedules | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 114 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 115 |
| Nonmajor Special Revenue Funds | |
| Combining Balance Sheet | 118 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 119 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | |
| Memorial Auditorium Fund | 120 |
| Sales tax Revenue Fund | 121 |
| Event Center Fund | 122 |
| Wgtn EDA Fund | 123 |
| Nonmajor Capital Projects Funds | |
| Combining Balance Sheet | 126 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 128 |
| Nonmajor Proprietary Funds | |
| Statement of Net Position | 132 |
| Statement of Revenue, Expenses and Changes in Net Position | 133 |
| Statement of Cash Flow | 134 |
| General Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 137 |
| Debt Service funds | |
| Combining Balance Sheet | 142 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 144 |
| Internal Service Funds | |
| Combining Statement of Net Position | 148 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 149 |
| Combining Statement of Cash Flows | 150 |
| Custodial Funds | |
| Combining Statement of Fiduciary Net Position | 152 |
| Combining Statement of Changes in Fiduciary Net Position | 153 |
| Summary Financial Report | |
| Revenue and Expenditures for General Operations - Governmental Funds | 154 |

City of Worthington, Minnesota
Table of Contents (Continued)
For the Year Ended December 31, 2022

| | <u>Table No.</u> | <u>Page No.</u> |
|--|------------------|-----------------|
| Statistical Section (Unaudited) | | |
| Financial Trends | | |
| Net Position by Component | 1 | 158 |
| Changes in Net Position | 2 | 160 |
| Fund Balances of Governmental Funds | 3 | 164 |
| Changes in Fund Balances of Governmental Funds | 4 | 166 |
| Governmental Activities Tax Revenues by Source | 5 | 168 |
| General Governmental Tax Revenues by Source | 6 | 169 |
| Revenue Capacity | | |
| Net Tax Capacity and Estimated Market Value of Taxable Property | 7 | 170 |
| Property Tax Rates - Direct and Overlapping Governments | 8 | 172 |
| Principal Property Taxpayers | 9 | 174 |
| Property Tax Levies and Collections | 10 | 175 |
| Debt Capacity | | |
| Ratios of Outstanding Debt by Type | 11 | 176 |
| Ratios of Net General Obligation Debt Outstanding | 12 | 178 |
| Direct and Overlapping Governmental Activities Debt | 13 | 180 |
| Legal Debt Margin Information | 14 | 181 |
| Pledged-Revenue Coverage | 15 | 183 |
| Demographic and Economic Information | | |
| Demographic and Economic Statistics | 16 | 184 |
| Principal Employers | 17 | 187 |
| Operating Information | | |
| Full-time Equivalent City Government Employees by Function/Program | 18 | 188 |
| Operating Indicators by Function/Program | 19 | 190 |
| Capital Asset Statistics by Function/Program | 20 | 194 |
| Single Audit and Other Required Reports | | |
| Independent Auditor's Report on | | |
| Minnesota Legal Compliance | | 201 |
| Independent Auditor's Report on Internal | | |
| Control Over Financial Reporting and on | | |
| Compliance and Other Matters Based on an | | |
| Audit of Financial Statements Performed in | | |
| Accordance with <i>Government Auditing Standards</i> | | 202 |
| Independent Auditor's Report on Compliance | | |
| for Each Major Federal Program and Report on | | |
| Internal Control Over Compliance Required | | |
| by the Uniform Guidance | | 204 |
| Schedule of Expenditures of Federal Awards | | 207 |
| Notes to the Schedule of Expenditures of Federal Awards | | 208 |
| Schedule of Findings, Responses and Questioned Costs | | 209 |
| Corrective Action Plan | | 211 |
| Schedule of Prior Year Findings | | 213 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

THIS PAGE IS LEFT
BLANK INTENTIONALLY



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.

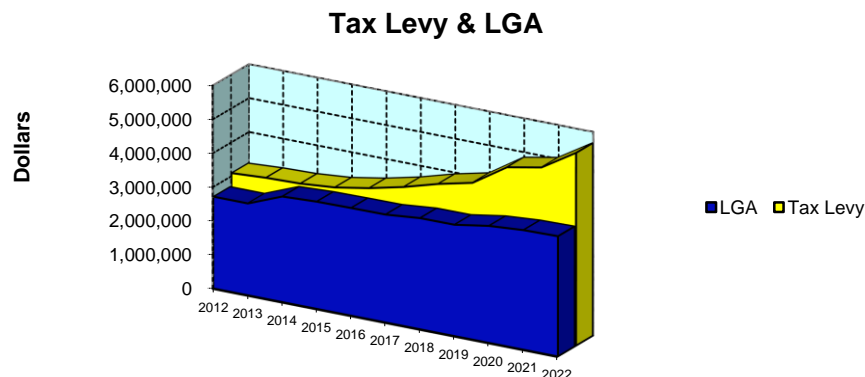
Local economy. The City serves as the county seat and regional economic center for Nobles County in Southwestern Minnesota. In 2022, the City issued 530 building permits (70 permits more than issued in 2021) for a cumulative total of \$8.5 million of construction work, which is 61% less than the construction 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.

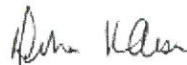
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

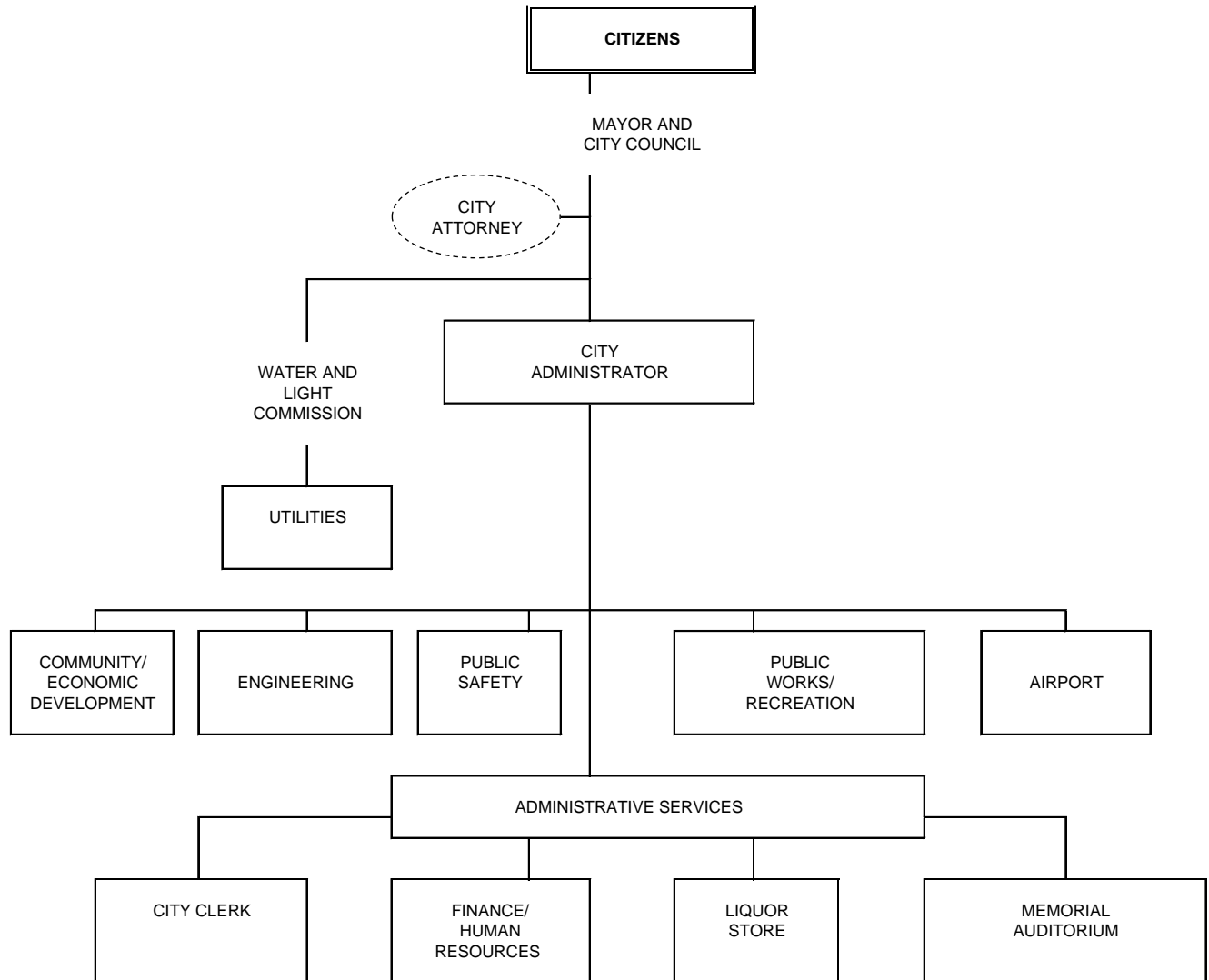
| Name | Title |
|-------------------|--------------------|
| Steven Robinson | City Administrator |
| Debra Olsen | Finance Director |
| Mindy Eggers | City Clerk |
| Stephen Schnieder | City Engineer |
| Jesse Flynn | City Attorney |

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 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

CITY OF WORTHINGTON ADMINISTRATIVE ORGANIZATION



THIS PAGE IS LEFT
BLANK INTENTIONALLY



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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION
CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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



THIS PAGE IS LEFT
BLANK INTENTIONALLY

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**

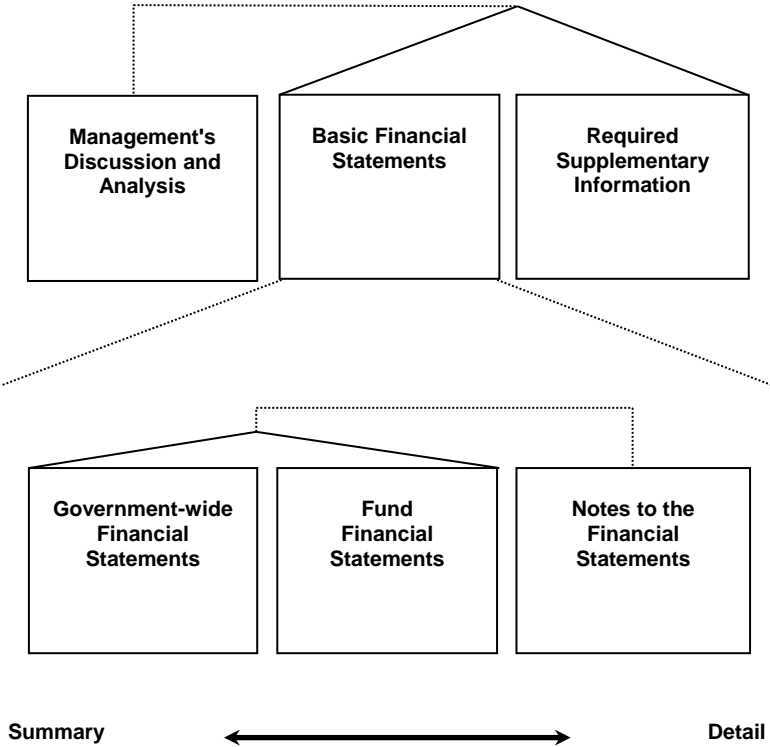


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

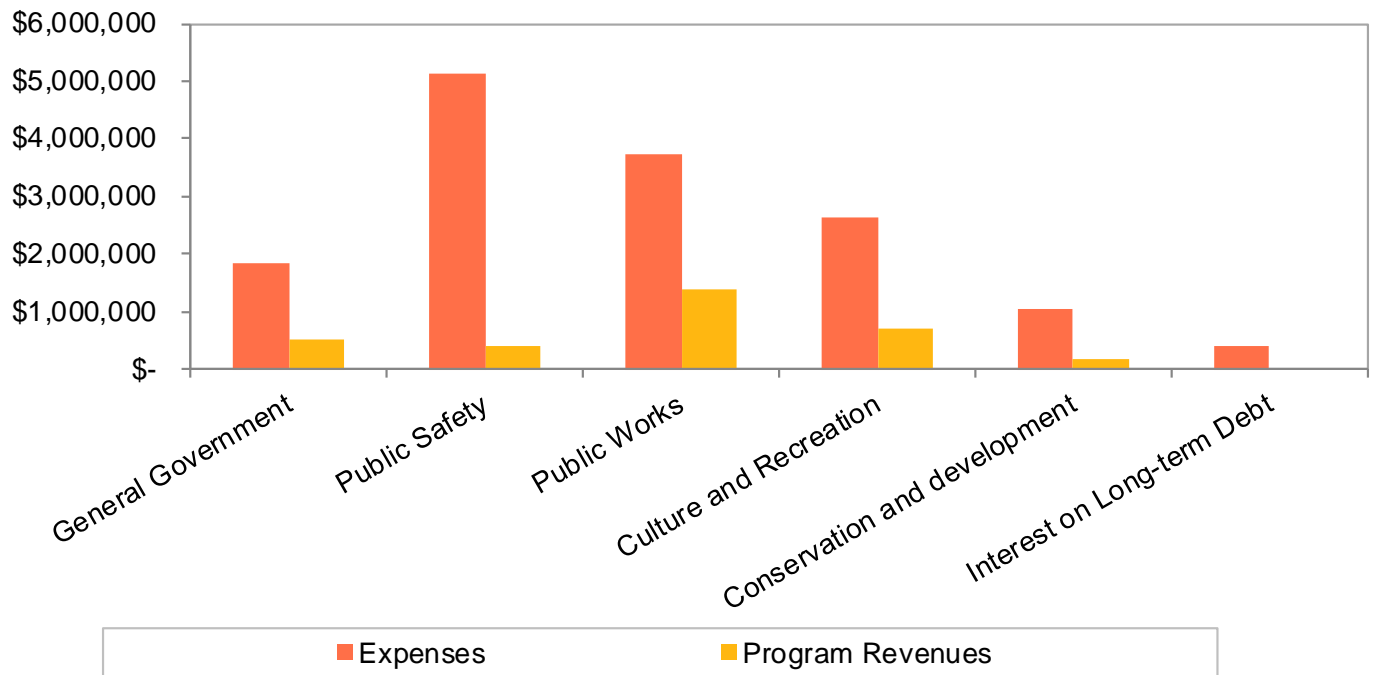
Governmental Activities. Governmental activities increased the City's net position by \$986,696 accounting for 34.3 percent of the total increase in the City's net position. Key elements of this increase are as follows:

City of Worthington's Changes in Net Position

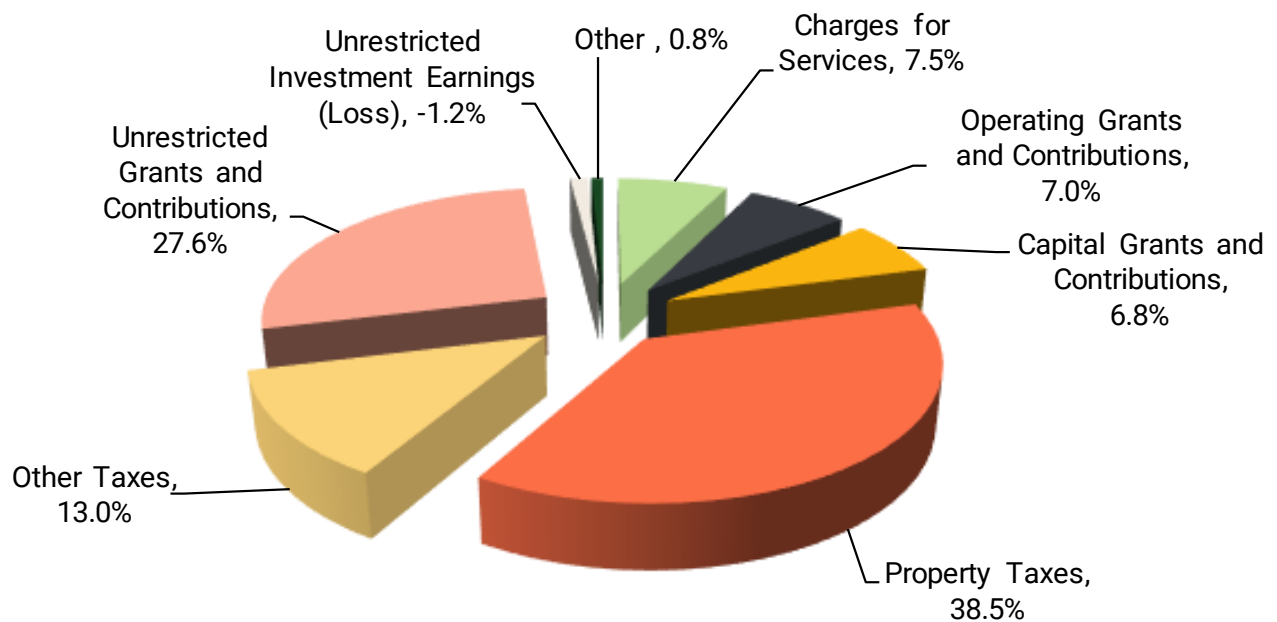
| | Governmental Activities | | | Business-type Activities | | | Total | |
|--|-------------------------|----------------------|------------------------|--------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| | 2022 | 2021 | Increase (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



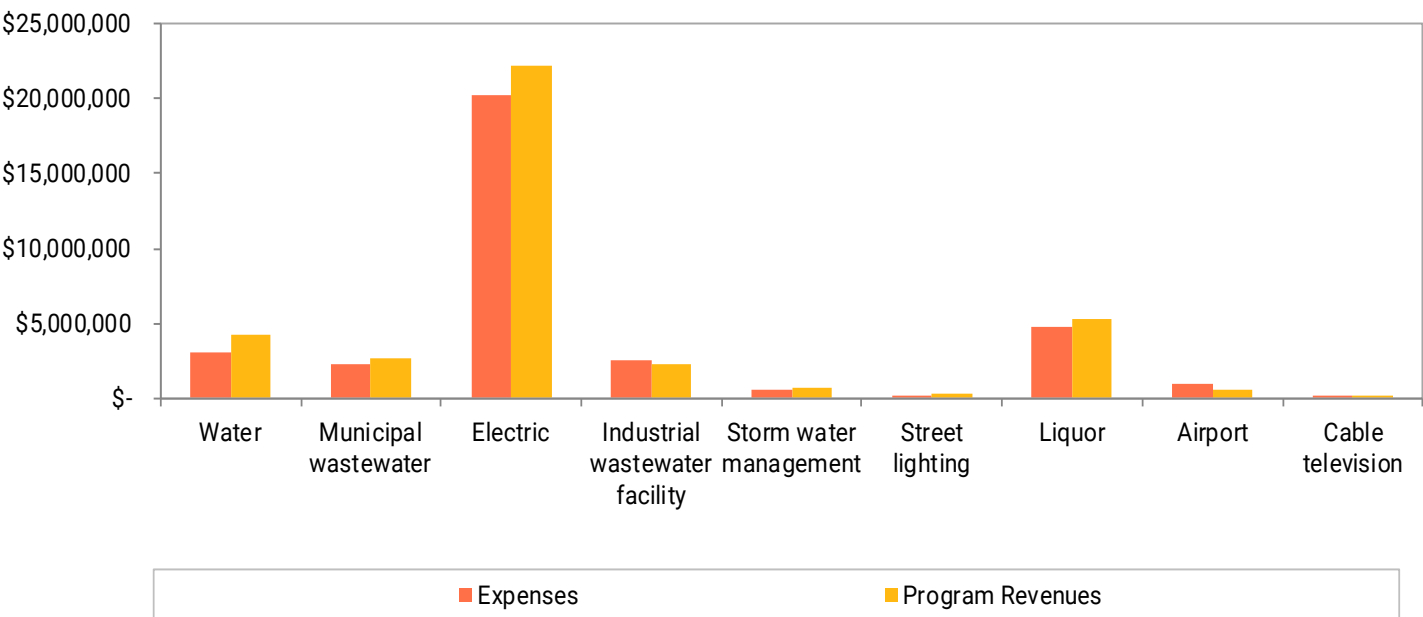
Revenues by Source - Governmental Activities



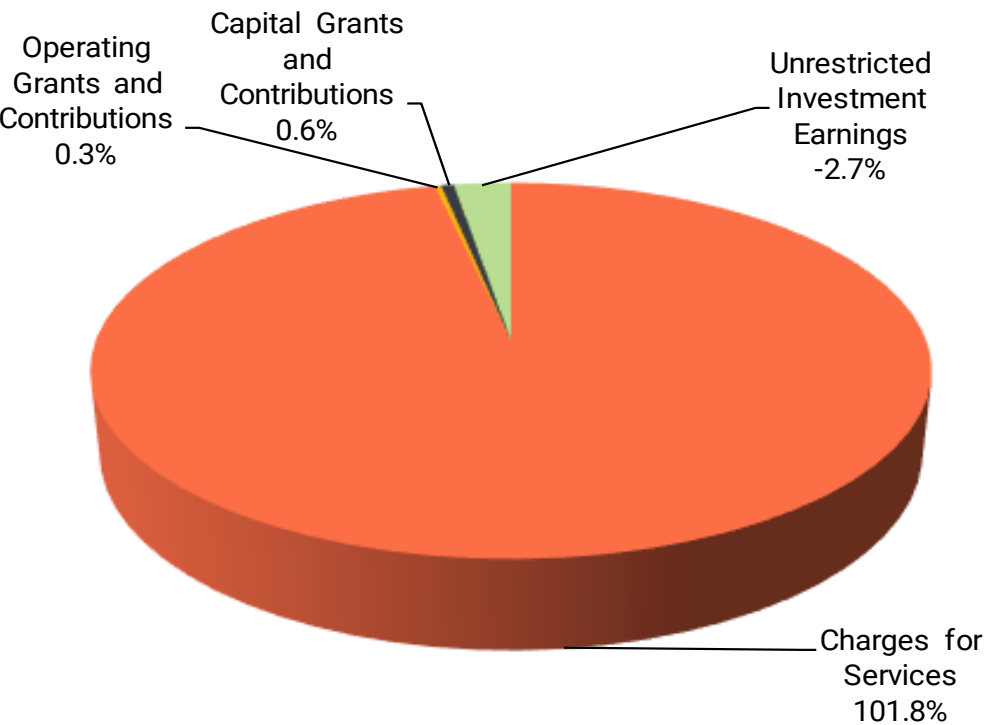
Business-type Activities. Business-type activities increased the City’s net position by \$1,882,131, accounting for a 65.7 percent increase in the total growth in the City’s net position. Key elements of this increase are as follows:

- 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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 | Economic Development Authority |
| Assets | | | |
| Cash and investments | \$ 5,292,048 | \$ 1,897,745 | \$ 20,985 |
| Receivables | | | \$ 336,004 |
| Accrued interest | 12,116 | 11,830 | 524 |
| Delinquent taxes | 29,703 | - | 2,154 |
| Accounts | 58,774 | 172 | 5,827 |
| Loans (net of allowance) | - | 1,093,152 | - |
| Leases | - | - | 41,914 |
| Special assessments | 8,539 | - | - |
| Intergovernmental | 2,376,141 | - | - |
| 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 | - | 3,443 |
| Total Assets | \$ 10,565,620 | \$ 10,426,256 | \$ 328,239 |
| Liabilities | | | |
| Accounts payable | \$ 467,024 | \$ - | \$ 283,306 |
| Contracts payable | - | - | - |
| Deposits payable | - | - | 75 |
| Due to other funds | - | - | 1,146,433 |
| Advance from other funds | - | - | - |
| Due to other governments | - | - | 4,247,000 |
| Salaries payable | 223,895 | - | 1,748 |
| Deposits payable | 42,673 | - | 18,815 |
| Unearned revenue | 818,834 | - | - |
| Total Liabilities | 1,552,426 | - | 1,450,377 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | | | |
| Special assessments | 8,539 | - | - |
| Property taxes | 29,703 | - | 12,137 |
| Deferred lease resources | - | - | 245,509 |
| Total Deferred Inflows of Resources | 38,242 | - | 257,646 |
| Fund Balances | | | |
| Nonspendable | 884,245 | - | 15,366 |
| Restricted | - | - | - |
| Committed | 3,330,903 | 10,426,256 | 455,223 |
| Assigned | 1,046,893 | - | - |
| Unassigned | 3,712,911 | - | (1,850,373) |
| Total Fund Balances | 8,974,952 | 10,426,256 | (1,379,784) |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 10,565,620 | \$ 10,426,256 | \$ 328,239 |

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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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. | 406,106 |
| Total Net Position - Governmental Activities | <u>\$ 88,641,444</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 | <u>113,350</u> | <u>113,350</u> | <u>95,194</u> | <u>(18,156)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Other services and charges | <u>15,328</u> | <u>15,328</u> | <u>15,328</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 98,022 | 98,022 | 79,866 | (18,156) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>23,396</u> | <u>23,396</u> | <u>225,625</u> | <u>202,229</u> |
| Net Change in Fund Balances | 121,418 | 121,418 | 305,491 | 184,073 |
| Fund Balances, January 1 | <u>10,120,765</u> | <u>10,120,765</u> | <u>10,120,765</u> | <u>-</u> |
| 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 | | | Governmental Activities- Internal Service Funds |
|--|----------------------|-------------------------|----------------------|--------------------------------------|-----------------------|---|
| | Water | Municipal Wastewater | Electric | Other Business-type Activities | Total | |
| 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 | 136,534 | 143,917 | (974,980) | (237,579) | (932,108) | (32,592) |
| 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>\$ 9,976,232</u> | <u>\$ 14,598,042</u> | <u>\$ 20,919,260</u> | <u>\$ 6,678,876</u> | <u>\$ 52,172,410</u> | <u>\$ 1,646,091</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>\$ 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> |
| 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 |
| | <u> </u> | <u> </u> | <u> </u> |
| 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 | <u>(620,000)</u> |
| 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 Inflow 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%) |
| | 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 | \$ 87,911,883 | \$ (675,411) | \$ - | \$ 184,781 | \$ (10,830) | \$ 244,325 | \$ - | \$ 87,654,748 |
| 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 | 4,800,500 | - | - | - | 13,912 | - | (3,155) | 4,811,257 |
| Total Governmental Funds | \$ 11,514,033 | \$ (675,411) | \$ (252,065) | \$ 184,781 | \$ 19,074 | \$ - | \$ (42,890) | \$ 10,747,522 |

(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> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| 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> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 | \$ (11,632,433) | \$ (11,536,944) | \$ (13,559,096) | \$ (9,215,274) |
| Business-type Activities | 3,891,696 | 3,620,479 | 4,744,962 | 4,278,008 |
| 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> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

SINGLE AUDIT AND OTHER REQUIRED REPORTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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



THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 Improvement Bonds, Series 2023B
 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 Improvement Bonds, Series 2023B 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 special assessments with respect to benefited properties; which ad valorem taxes and assessments 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

**\$4,090,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023B
CITY OF WORTHINGTON, MINNESOTA**

Proposals for the purchase of \$4,090,000* General Obligation Improvement Bonds, Series 2023B (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 Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith and 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 | \$310,000 | 2030 | \$250,000 | 2035 | \$280,000 |
| 2026 | 235,000 | 2031 | 260,000 | 2036 | 290,000 |
| 2027 | 240,000 | 2032 | 265,000 | 2037 | 300,000 |
| 2028 | 245,000 | 2033 | 270,000 | 2038 | 305,000 |
| 2029 | 250,000 | 2034 | 275,000 | 2039 | 315,000 |

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 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.

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.

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 \$4,040,920 plus accrued interest on the principal sum of \$4,090,000 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 \$81,800 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: \$4,090,000* General Obligation Improvement Bonds, Series 2023B (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 \$4,040,920) 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 | 2030 | _____ % due | 2035 |
| _____ % due | 2026 | _____ % due | 2031 | _____ % due | 2036 |
| _____ % due | 2027 | _____ % due | 2032 | _____ % due | 2037 |
| _____ % due | 2028 | _____ % due | 2033 | _____ % due | 2038 |
| _____ % due | 2029 | _____ % due | 2034 | _____ % due | 2039 |

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 \$81,800 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: _____