

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013

May 18, 2022

Letter to the Mayor & City Council
Nowthen, Minnesota

Audit 2021

My report on internal control over financial reporting is included in the cities financial statement, Page 29, and is dated May 18, 2022.

Your external independent contractor for accounting did an excellent job of controlling the flow of accounting data. The contractor also made a review of the final General Ledger to ascertain fund integrity and proper classification.

Due to the confusion caused by staff turnover during 2021 – some tasks i.e., filings and reporting were neglected or omitted. The current staff has isolated these problems.

A problem involving proper authorization of payroll expenditures is still under investigation.

The Banyon System for accounting was not mastered by internal staff. The accounting contractor had a full understanding fortunately.

Due to the complexity of “Banyon” and complexities relative to financing and accounting – I recommend you hire a C.P.A. or someone with a financial accounting background.

Sincerely,



Michael A. Pofahl, C.P.A.

May 18, 2022

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
(651) 213-6632

May 18, 2022

Honorable Mayor and
City Council, City of
Nowthen, Minnesota

RE: 2021 Audit Report

The report looks good with all appropriate transaction having been recorded and in the correct categories.

- 1) **My Report:** Page ii & iii states that all is fairly stated!
- 2) Management Discussion and Analysis Page (IV to X.) This section (Loved by Bond Underwriters) gives highlights (financial) for the year of 2021.
- 3) Pages 1 and 2 are Business Model Financial Statements like "3M" Nowthen has almost \$12 million in assets!
- 4) Pages 3 and 5 are our beloved Fund accounting – The Major Funds of the City. Page 3, Balance Sheet, Page 5, Revenues & Expenditures. Total Column's =Totals for City!
- 5) Pages 7 and 8 "Our Budget" compared to actual expenditures; nothing seems to be a big variance.
- 6) Notes to Financial Statements – Page 10 thru 23, details about the financial statements. Page 15 – "property" and 16 & 17, "Bonded Debt" are notable.
- 7) Page 24 & 25, smaller Non-major capital funds.
- 8) Page 26 & 27, Non-major debt service funds.
- 9) Page 28 & 29, Legal compliance & Internal Control.

NICE JOB!


Michael W. Pofahl



City of Nowthen

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
DECEMBER 31, 2021**

MICHAEL W. POFAHL

CERTIFIED PUBLIC ACCOUNTANT

CITY OF NOWTHEN, MINNESOTA

AUDITED FINANCIAL STATEMENTS

**OTHER FINANCIAL STATEMENTS
SCHEDULES AND INFORMATION**

DECEMBER 31, 2021

**CITY OF NOWTHEN, MINNESOTA
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DECEMBER 31, 2021**

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INTRODUCTORY SECTION



City of Nowthen, MN

Elected and Appointed Officials

Updated February 2022

<u>Elected Office</u>	<u>Name</u>	<u>Term Expiration</u>
Mayor	Jeff Pilon	2023
Council Member	Lynda Blake	2023
Council Member	Joel Greenberg	2023
Council Member	Mary Rainville	2025
Council Member	Jason Alders	2025

<u>Appointed Officials</u>	<u>Name</u>
Interim City Administrator	Frank Boyles-FFB Public Leadership
Interim City Clerk	Natalie Johnson
Interim Administrative Assistant	Adrienne Christensen
Prosecutions Attorney	Kurt Glaser-Smith & Glaser
General Attorney	Bob Ruppe-Couri & Ruppe
Engineer	Shane Nelson-Hakanson Anderson
City Planner	Elizabeth Stockman- The Planning CO.
Building Official	Scott Qualle-MNSPECT, LLC.
Public Works Official	Joseph Glaze

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chicaso City, Minnesota 55013
651-213-6632

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Nowthen
Nowthen, Minnesota 55330

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of December 31, 2021 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bases for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Nowthen and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit.

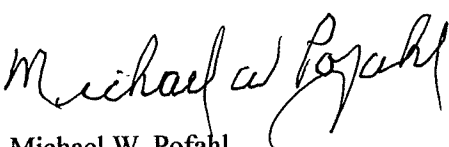
Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv-x and 7-9 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. In my opinion the management's discussion and analysis and the budgetary comparison are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nowthen, Minnesota's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Michael W. Pofahl
Certified Public Accountant
Chisago City, MN 55013
May 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



The City of
Nowthen
"Where it still feels like country"

Management's Discussion and Analysis

As management of the City of Nowthen, this section of the City's annual financial report presents a discussion and analysis of the City's activities during the fiscal year ended December 31, 2021.

Financial Highlights

- The assets of the City exceeded liabilities by \$6,982,243. Of this amount, \$5,435,306 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,320,208.
- The City's government funds reported combined ending fund balances of \$4,830,480 as of December 31, 2021. Of this amount, approximately 81% is available for spending within the City's designation and policies.
- As of December 31, 2021, unrestricted - unassigned fund balance for the General Fund was \$1,274,657.

Overview of the Financial Statements

This discussion and analysis is intended to provide an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements consist of Statement of Net Assets and the Statement of Activities, and provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements provide information about governmental activities by showing how these services were financed in the short-term as well as what remains for future spending. These statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Notes to the financial statements provided 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 on pages 10-23 of this report.

Reporting the City as a Whole

The analysis of the City as a whole begins with the Statements of Net Assets and the Statements of Activities found on pages 1 and 2. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the City's net assets and changes in them. The City's net assets can be used as a way of measuring the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's tax base or the condition of the City's infrastructure to assess the overall health of the City.

Reporting the City's Most Significant Funds

The fund financial statements that begin on page 3 provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other revenues.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. I describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation to each of the fund financial statements on pages 4 and 6. The basic governmental fund financial statements can be found on pages 3 and 5.

- The City uses fiduciary funds to account for resources held for the benefit of parties outside the government. These funds are reflected in the government-wide statements as cash in trust and deposits payable, because the resources of these funds are not available to support programs of the City.
- Notes to financial statements - The notes provide additional information that is essential to fully understand the data provided in government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 10 - 23 of this report.
- Other information - The combining statements referred to earlier in connection with Non-major governmental funds are presented immediately following the basic financial statements.

Financial Analysis of The City as a Whole

City of Nowthen Net Position, December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 5,884,571	\$ 3,358,762
Capital assets (net)	<u>5,457,937</u>	<u>4,379,579</u>
Total assets	<u>11,342,508</u>	<u>7,738,341</u>
Liabilities:		
Long-term liabilities	3,880,000	1,428,000
Other liabilities	<u>480,265</u>	<u>648,306</u>
Total liabilities	<u>4,360,265</u>	<u>2,076,306</u>
Net assets:		
Invested in capital assets, Net of related debt	1,546,937	2,920,579
Unrestricted	<u>5,435,306</u>	<u>2,741,456</u>
Total Net Position	<u><u>\$ 6,982,243</u></u>	<u><u>\$ 5,662,035</u></u>

City of Nowthen, Minnesota Changes of Net Position December 31, 2021 and 2020

	Governmental <u>Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 378,527	\$ 256,957
Operating grants and contributions	67,237	55,103
Capital grants and contributions	998,826	945,909
General Revenues:		
Property taxes	1,661,546	1,549,789
Grants and contributions	158,832	104,811
Investment income	3,498	32,842
Bond Premium	120,727	-
	<u>\$3,389,193</u>	<u>\$ 2,945,411</u>
Expenses:		
General government	\$ 645,158	\$ 649,468
Public safety	693,246	603,207
Public works	572,661	653,363
Park and recreation	54,402	43,777
Interest on long-term debt & Bond Costs	103,518	45,675
	<u>\$2,068,985</u>	<u>\$ 1,995,490</u>
Change in Net Position	1,320,208	949,921
Net Position, January 1	<u>5,662,035</u>	<u>4,712,114</u>
P.E.R.A. Adjustment	<u>-</u>	<u>-</u>
Net Position, December 31	<u><u>\$6,982,243</u></u>	<u><u>\$ 5,662,035</u></u>

Governmental Activities Comparing 2021 to 2020

Governmental activities increased net assets by \$1,320,208 which is a 23% increase.

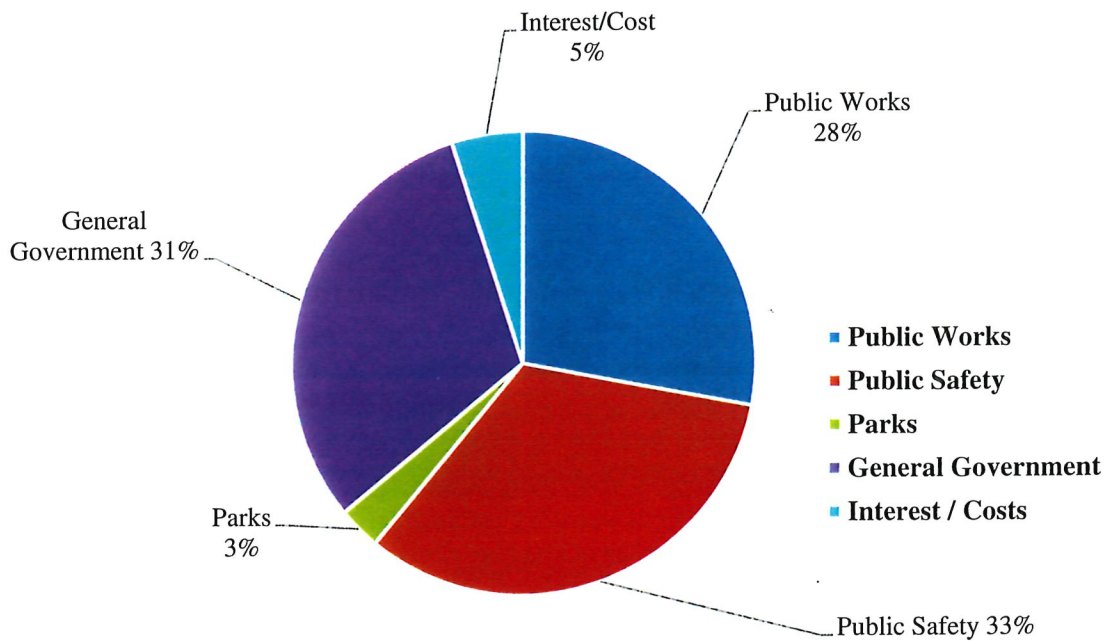
Revenues increased \$443,782 or 15%, the key elements of this change are as follows:

- Property tax revenue increased \$111,757.
- Bond Premium \$120,727.
- Charges for all services increased by \$121,570.
- Capital Grants increased by \$52,917. Increased Special Assessments.

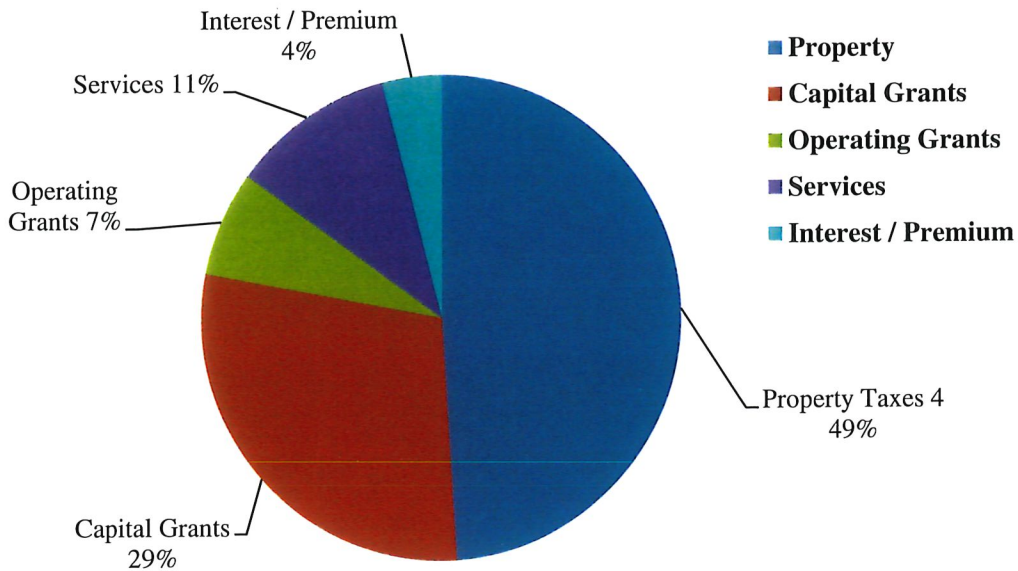
Expenses increased by \$73,495.

- Fire Protection up about \$79,000.
- Interest expense and Bond costs up \$57,843.
- Public Works Expenses down about \$68,000.

EXPENDITURES 2021



Revenues by Source - Governmental Activities



General Fund Budgetary Highlights - 2021

\$72,500 was budgeted for Equipment, and \$35,000 was budgeted for future building.

Capital Assets and Debt Administration

Capital Assets

The City's investment capital assets for its governmental activities at the end of 2021 amounts to \$5,457,937 (net of accumulated depreciation). The investment in capital assets include land, buildings, park facilities, equipment and streets. The total increase in the City's net capital assets for the current fiscal year was about 25%. Depreciation for 2021 was \$303,475.

Major capital assets added during the current fiscal year included the following:

- Road Infrastructure costs - 2020 Projects \$1,050,003 - In Progress.
- Improvements in process, \$200,000.
Anoka County H.R.A. Funds.

City of Nowthen - Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Infrastructure In-Process	\$ 2,426,389	\$ 1,176,386
Land and improvements	137,750	137,750
Park improvements	108,629	124,323
City Center & Infrastructure	1,168,951	1,342,536
Building and improvements	1,004,300	1,033,520
Equipment	<u>611,938</u>	<u>565,064</u>
 Total net capital assets	 <u>\$ 5,457,937</u>	 <u>\$ 4,379,579</u>

Additional information on the City's capital assets can be found on Note 4 - Capital Assets in this report.

Debt Administration

The City's total debt increased by \$2,492,000: New debt (P16) was \$2,680,000. Payments made during 2021 were \$228,000.

City of Nowthen Outstanding Debt

Bonds Payable December 31.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
2012A Refunding Bonds	\$ 85,000	\$ 165,000
2011A Certificates of Indebtedness	-	28,000
2013 Certificates of Indebtedness	40,000	60,000
2021A G.O. Improvement Bonds	2,680,000	-
2019A G.O. Improvement Bonds	<u>1,075,000</u>	<u>1,175,000</u>
 Total debt outstanding	 <u>\$ 3,880,000</u>	 <u>\$ 1,428,000</u>

Additional information on the City's long-term debt can be found in Note 5 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional information, contact the City of Nowthen.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF NOWTHEN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
Assets	
Equity in cash pool	\$4,927,996
Cash and investments held in trust	48,646
Accounts receivable and Accrued Interest	51,129
Taxes receivable	50,878
Special assessments receivable	778,369
Prepaid Expense	27,553
Capital assets, net of accumulated depreciation:	
Land and Improvements	137,750
Park improvements	108,629
Buildings and improvements	1,004,300
Equipment (Office, Park, Recycling, Road)	264,670
Town Center and Road Infrastructure	1,168,931
Fire Equipment	347,268
Infrastructure in-progress	<u>2,426,389</u>
 Total assets	 <u>\$ 11,342,508</u>
Liabilities	
Accrued Vacation and Payroll	\$ 23,329
Interest Payable	31,000
Accounts Payable	252,936
Pension Liability	173,000
Noncurrent Liabilities:	-
Due within one year	205,000
Due in more than one year	<u>3,675,000</u>
 Total liabilities	 <u>\$ 4,360,265</u>
Net Position	
Invested in capital assets, net of related debt	\$ 1,546,937
Unrestricted	<u>5,435,306</u>
 Total Net Position	 <u>\$ 6,982,243</u>

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

CITY OF NOWTHEN, MINNESOTA
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2021

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions and programs				
Governmental activities				
General government	\$ 645,158	\$ 8,144	\$ 40,108	\$ (574,185)
Public safety	693,246	352,268	-	(281,885)
Public works	572,661	-	-	(572,661)
Parks and recreation	54,402	3,538	37,500	(13,364)
Interest and Bond costs	103,518	-	-	(103,518)
Total governmental activities	\$ 2,068,985	\$ 378,527	\$ 77,608	\$ (1,545,613)

General Revenues:	
ARPA Revenue	\$ 250,839
H.R.A.-Anoka County	200,000
Property taxes levied for general purposes	1,661,546
Grants and contributions not restricted to specific programs	158,832
Special Assessments for Capital Outlay	470,379
Investment income	3,498
Premium on Bonds	120,727
Total general revenues	2,865,821
Change in Net Position	1,320,208
Net Position, December 31, 2020	5,662,035
P.E.R.A. Position change from Prior	-
Net Position, December 31, 2021	\$ 6,982,243

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

FUND FINANCIAL STATEMENTS

CITY OF NOWTHEN, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2021

	Road Renewal Improvement Fund	Park Acquisition Fund	2020 Road Improvement Fund	2019A G.O. Bonds	Equipment & Other Capital Non-Major Funds	Debt Service Funds	Total
					I	II	
Assets							
Equity in cash pool	\$ 1,311,841		\$ 134,683	\$ 376,795	\$ 1,494,943	\$ 112,993	\$ 4,927,996
Cash held in trust	-	-	-	-	-	-	48,646
Receivables & Accrued Interest	-	-	-	-	-	-	1,054
Prepaid Expense	-	-	-	-	-	-	27,553
Taxes receivable, net	-	-	-	1,931	-	3,581	50,878
Due from Other Governments	-	-	-	-	-	-	50,075
Special assessments receivable	-	-	-	292,507	475,831	10,031	778,369
Total assets	<u>1,311,841</u>	<u>255,935</u>	<u>134,683</u>	<u>671,233</u>	<u>1,970,774</u>	<u>126,605</u>	<u>5,884,571</u>
Liabilities and Fund Balance							
Liabilities:							
Accrued Payroll & vacation	-	-	-	-	-	-	23,329
Accounts / Contracts Payable	4,449	-	93,228	-	39,745	-	204,290
Deposits	-	-	-	-	-	-	48,646
Due to other governments	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	291,964	475,831	10,031	777,826
Total liabilities	<u>4,449</u>	<u>-</u>	<u>93,228</u>	<u>291,964</u>	<u>515,576</u>	<u>10,031</u>	<u>1,054,091</u>
Fund Balances:							
Restricted	-	255,935	-	379,269	189,203	116,574	940,981
Unrestricted, reported in:	-	-	-	-	-	-	-
General Fund unassigned	-	-	-	-	-	-	1,274,657
Special revenue funds assigned	-	-	-	-	-	-	-
Capital funds assigned	1,307,392	-	41,455	-	1,285,402	-	2,634,249
Capital funds unassigned	-	-	-	-	(19,407)	-	(19,407)
Total fund balances	<u>1,307,392</u>	<u>255,935</u>	<u>41,455</u>	<u>379,269</u>	<u>1,455,198</u>	<u>116,574</u>	<u>4,830,480</u>
Total liabilities and fund balances	<u>\$ 1,311,841</u>	<u>\$ 255,935</u>	<u>\$ 134,683</u>	<u>\$ 671,233</u>	<u>\$ 1,970,774</u>	<u>\$ 126,605</u>	<u>\$ 5,884,571</u>

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

CITY OF NOWTHEN, MINNESOTA

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Governmental Funds
December 31, 2021**

Total fund balances - governmental funds	\$ 4,830,480
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets	9,078,224
Less accumulated depreciation	
Other long-term assets not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	777,826
Pension P.E.R.A.	(173,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Bonds payable	(3,880,000)
Accrued interest	<u>(31,000)</u>
Net position of Governmental activities.	<u>\$ 6,982,243</u>

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

CITY OF NOWTHEN, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2021

	2020		2019A G.O. Bonds	Equipment & Other Capital		Debt Service Funds	Total	
	Road Renewal Improvement Fund	Park Acquisition Fund		General	Road Improvement Fund			Non-Major Funds
Revenues								
Property Taxes	\$ -	\$ -	\$ 1,481,149	\$ -	\$ -	\$ 117,212	\$ 1,661,546	
Special assessments	-	-	-	29,916	193,805	-	275,852	
Fines	-	-	8,144	-	-	-	8,144	
Licenses, permits and fees	-	-	148,619	-	-	-	148,619	
Intergovernmental revenue	-	-	468,764	-	200,000	-	668,764	
Charges for services	-	37,500	229,908	-	-	-	267,408	
Interest Income	-	-	3,498	-	-	-	3,498	
Refunds & Other	-	-	40,108	-	-	-	40,108	
Total revenues	\$ -	\$ 37,500	\$ 2,380,190	\$ 29,916	\$ 393,805	\$ 117,212	\$ 3,073,939	
Expenditures								
Current								
General Governmental	-	-	620,690	-	18,060	-	638,750	
Public Safety	-	-	642,334	-	-	-	642,334	
Public Works	4,449	-	338,588	-	-	-	343,037	
Parks and Recreation	-	-	37,871	-	-	-	37,871	
Capital Outlay	-	-	42,417	1,050,003	289,413	-	1,381,833	
Debt service:	-	-	-	-	-	-	-	
Bond Issuance Costs	-	-	-	44,845	19,390	-	64,235	
Principal retirement	-	-	-	-	-	128,000	228,000	
Interest and fiscal fees	-	-	-	-	-	5,358	39,283	
Total expenditures	4,449	-	1,681,900	1,094,848	326,863	133,358	3,375,343	
Excess (deficiency)	(4,449)	37,500	698,290	(1,064,932)	66,942	(16,146)	(301,404)	
Revenues/expenses								
Other Financing Sources (Uses)								
Bonds Issued	-	-	-	1,931,337	869,390	-	2,800,727	
Transfers (Out) In	-	-	(107,500)	-	107,500	-	-	
Total other financing sources (uses)	-	-	(107,500)	1,931,337	976,890	-	2,800,727	
Net change in fund balances	(4,449)	37,500	590,790	866,405	1,043,832	(16,146)	2,499,323	
Balances, December 31, 2020	1,311,841	218,435	683,867	(824,950)	411,366	132,720	2,331,157	
Balances, December 31, 2021	\$ 1,307,392	\$ 255,935	\$ 1,274,657	\$ 41,455	\$ 1,455,198	\$ 116,574	\$ 4,830,480	

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

CITY OF NOWTHEN, MINNESOTA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ 2,499,323

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

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

Capital outlay	1,381,833
Depreciation expense	(303,475)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which debt issued was less than payments made.

Bonds issued	(2,680,000)
Bond principal repayments	228,000
Accrued Interest decrease	-

Revenues not reported in the funds are reported as revenues in the statement of activities	194,527
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P.E.R.A. Pension Expense (prior years adjustment)	-
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Change in Net Position of Governmental Activities	\$ 1,320,208
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The notes to financial statements are an integral part of this statement.

CITY OF NOWTHEN, MINNESOTA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2021

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
Taxes		
Property	\$ 1,471,635	\$ 1,481,149
Special Assessments	-	-
Intergovernmental:		
Local Government Aid	52,005	141,048
County Aid	-	21
County Recycling	30,000	59,093
State AG Aid	450	9,254
State Aid/ ARPA	24,650	259,053
Wetlands	-	295
Total Intergovernmental	107,105	468,764
Licenses and Permits		
Building Permits	90,000	130,005
Other Permits	11,605	18,614
Total Licenses and Permits	101,605	148,619
Other:		
Contributions	6,500	32,197
Plan Check Fees	34,500	55,717
Recycling	16,950	30,289
Zoning	13,000	37,020
Planning Fees	29,000	69,424
Park - Rental	2,500	3,538
Interest	5,275	3,498
Rents	17,895	20,245
Public Hearings/Recording	2,390	2,476
Fines	8,800	8,144
Newsletter	1,000	2,075
Other Services/Refunds	4,010	17,035
Total Other	141,820	281,658
Total Revenues	\$ 1,822,165	\$ 2,380,190
<u>Expenditures</u>		
General Government:		
Salaries and Other Compensation and Fringe	\$ 288,600	\$ 216,977
Elections	-	1,030
Buildings:		
Electricity, Telephone, Heating, Repairs	40,300	28,892
Assessing	25,000	23,426
Total General Government	353,900	270,325
Public Works:		
Road and Bridge:		
Wage and Fringe	172,835	130,791
Road Work	159,100	130,569
Material & Supplies	42,000	45,910
Services & Other	34,360	31,318
Total Public Works	408,295	338,588

CITY OF NOWTHEN, MINNESOTA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2021
(continued)

<u>Expenditures (Continued)</u>	<u>Budget</u>	<u>Actual</u>
Public Safety:		
Law Enforcement	\$ 259,695	\$ 248,607
Recycling	67,500	54,603
Animal Control	700	1,026
Fire Calls/Contract/Operations	308,955	195,512
Building Inspector and Expense	98,075	142,586
Total Public Safety	<u>734,925</u>	<u>642,334</u>
Other Expenditures:		
Planning and Zoning & Code Enforcement	60,600	78,563
Audit	8,800	6,050
Engineering	35,000	39,177
Legal Fees	67,000	61,137
Insurance	47,600	38,486
Other Professional Fees - Consultants	30,430	83,335
Office Supplies and Expense	8,050	10,802
Printing and Publishing	4,500	9,316
Contingency	15,000	-
Park Operating	38,175	37,871
Miscellaneous	8,520	13,928
Water Management Operation	9,770	9,571
Total Other Expenditures	<u>\$ 333,445</u>	<u>\$ 388,236</u>
Capital Outlay - Recycling Structure	<u>-</u>	<u>42,417</u>
Total Expenditures	<u>\$ 1,830,565</u>	<u>\$ 1,681,900</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,400)</u>	<u>698,290</u>
<u>Other Financing Sources (Uses)</u>		
Transfers to Other Funds	107,500	(107,500)
Transfers from Other Funds	-	-
Total Other Financing Sources (Uses)	<u>(107,500)</u>	<u>(107,500)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>(115,900)</u>	<u>590,790</u>
Fund Balance - December 31, 2020		<u>683,867</u>
Fund Balance - December 31, 2021		<u><u>\$ 1,274,657</u></u>

CITY OF NOWTHEN, MINNESOTA
General Fund Recycling Activity
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2021

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
Interest	\$ 75	\$ -
Property Taxes	-	-
County Reimbursement	30,000	59,093
Other Recycling Proceeds	<u>16,950</u>	<u>30,289</u>
Total Revenues	<u>47,025</u>	<u>89,382</u>
<u>Expenditures</u>		
Capital Outlay	-	42,417
Operating Expenditures	<u>67,500</u>	<u>54,603</u>
Total Expenditures	<u>67,500</u>	<u>97,020</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,475</u>	<u>(7,638)</u>
<u>Other Financing Sources</u>		
Transfer to General Fund	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	<u>\$(20,475)</u>	<u>\$(7,638)</u>
Fund Balance - December 31, 2020		<u>\$ 31,039</u>
Fund Balance - December 31, 2021*		<u><u>\$ 23,401</u></u>

***Recycling** - Buildings/Equipment at December 31, 2021 were at a cost of \$262,106 with accumulated depreciation of \$108,284. The Recycling Fund does not have sufficient resources - financial or administrative to stand by itself as an enterprise fund. More than 75% of Revenue is furnished by the county of Anoka as reimbursement for Nowthen's expenditures under a grant which also provides for reimbursement for improvements.

NOTES TO FINANCIAL STATEMENTS

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2021

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the City of Nowthen, Minnesota, 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 more significant accounting policies are described below.

A. Reporting Entity

The City operates under Plan A form of governmental and provides services such as public safety, public works, public health, culture, recreation, and community development, as authorized by statute,

For Financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units and other organizations for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. After applying the criteria to all potential component units, it was determined that the City has no material component units, about \$2,490 in a EDA (no activity).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements.

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

C. Measurement Focus and Basis of Accounting

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

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

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

CITY OF NOWTHEN, MINNESOTA

Notes of Financial Statements

December 31, 2021

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 2020 Road Improvements. Accounting for the 2020 projects completed in 2021.

The Park Acquisition Fund. Is required by statute for accounting for funds dedicated for park improvements.

The Renewal Road Improvement Funds. Accounts for infrastructure expenditures.

2019A Bonds Debt Service Fund. Accumulates assessments and tax levy for payment of bonds.

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. General revenues include all taxes.

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

D. Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in the state 4M Fund, savings accounts and certificates of deposit. Earnings from such investments are allocated to the funds on the basis of applicable average balance participation by each of the funds to which the council and legal requirements dictate.

E. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City reports infrastructure for future streets financed by bond debt. These assets will be depreciated over the term of the related bonded debt.

The costs of normal maintenance and repairs that do not increase asset value or materially extend asset lives are not capitalized.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Life</u>
Buildings	20 to 60 years
Building Improvements	10 to 20 years
Streets	10 years
Vehicle and Equipment	5 to 10 years
Furniture	8 years
Office Equipment	5 to 10 years

CITY OF NOWTHEN, MINNESOTA

Notes to Financial Statements

December 31, 2021

F. Property Taxes

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

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

G. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment. Annual installments (including interest) for special assessments are collected by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments to the City without interest or prepayment penalties.

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

H. Compensated Absences

The liability for accrued compensated absences for administration includes accumulated vacation leave/sick leave and compensation time, minimal at December 31, 2021. Public works vacations are accounted for in the General Fund, about \$16,000.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. subject to change.

K. Pensions

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

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2021

NOTE 2. Budget, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. No material encumbrances existed at December 31, 2021.

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

1. The Clerk submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. A truth in taxation hearing is conducted annually in December to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the county by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by November 15 of each year.
5. Formal budgets are adopted for the General Fund and Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained at the department level. 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 mean that it will be spent. The budget process has flexibility in that, where the need has been properly demonstrated, the Clerk can make an adjustment within the department budget. 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 necessary, and 3) funds are available.

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2021

B. Excess of Expenditures Over Appropriations

General Fund expenditures were less than appropriations (budget) for the year ended December 31, 2021 by \$148,665.

C. Deficit Fund Balances

The following funds has a deficit fund balances as of December 31, 2021.

• Pinnaker Lake Road	\$	19,407
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The Pinnaker Lake Fund is an unbonded Special Assessment Fund.

NOTE 3. CASH AND INVESTMENTS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All depositories used by the City are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 % of deposits not covered by insurance (140% for mortgage collateral).

Authorized collateral includes legally authorized investments, mortgage notes and certain other state and local government obligations. Minnesota Statutes require that securities pledged as collateral be held in in safekeeping by the City Treasurer or in a financial institution other than the one furnishing the collateral.

Balance at December 31, 2021:

	<u>4M/CD'S</u> <u>Bank Balance</u>	<u>Carrying</u> <u>Account</u>
• Checking Account	\$ 214,077	\$ 144,487
• Certificate of Deposits	1,233,900	1,233,900
• All covered by FDIC Insurance or Collateral pledge.	-	-
• Minnesota 4M Fund	\$ 3,598,255	\$ 3,598,255
	Dec. 31, 2021	
Total	\$ 5,046,232	\$ 4,976,642

The Minnesota Money Market Funds are external investment pools not registered with the Securities and Exchange Commission (SEC) that follow the same regulatory rules of the SEC under 2a-7 of the Investment Company Act of 1940. The fair value of the position is the same as the value of the pool shares.

Credit Risk

The Minnesota Municipal Money Market Funds are rated AAA by Standard & Poor's.

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2021

NOTE 4. Capital Assets

Capital assets activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Improvements in Process	351,436	200,000	-	551,436
Road Improvements In Progress	824,950	1,050,003	-	1,874,953
Land	<u>137,750</u>	<u>-</u>	<u>-</u>	<u>137,750</u>
Total Capital Assets, Not being Depreciated	<u>\$ 1,314,136</u>	<u>\$ 1,250,003</u>	<u>\$ -</u>	<u>\$ 2,564,139</u>
Capital Assets Being Depreciated:				
Fire Equipment	\$ 605,972	\$ 89,413	\$ -	\$ 695,385
Park Improvements	465,035	-	-	465,035
Infrastructure	2,217,555	-	-	2,217,555
Building and Improvements	1,526,129	-	-	1,526,129
General, Recycling and Park Equipment	366,320	42,417	-	408,737
Road and Bridge Equipment	<u>1,201,244</u>	<u>-</u>	<u>-</u>	<u>1,201,244</u>
Total Capital Assets, Being Depreciated	<u>\$ 6,382,255</u>	<u>\$ 131,830</u>	<u>\$ -</u>	<u>\$ 6,514,085</u>
Less Accumulated Depreciation				
Fire Equipment	\$ 317,616	\$ 30,501	\$ -	\$ 348,117
Park Improvements	340,712	15,694	-	356,406
Infrastructure	875,019	173,605	-	1,048,624
Buildings and Improvements	492,609	29,220	-	521,829
General Equipment and Park Equipment	232,391	21,686	-	254,077
Road and Bridge Equipment	<u>1,058,465</u>	<u>32,769</u>	<u>-</u>	<u>1,091,234</u>
Total Accumulated Depreciation	<u>\$ 3,316,812</u>	<u>\$ 303,475</u>	<u>\$ -</u>	<u>\$ 3,620,287</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,065,443</u>	<u>\$ (171,645)</u>	<u>\$ -</u>	<u>\$ 2,893,798</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,379,579</u>	<u>\$ 1,078,358</u>	<u>\$ -</u>	<u>\$ 5,457,937</u>

Depreciation expense was charged to City functions as follows:

Governmental Activities:

General Government	\$ 6,408
Recycling	16,441
Public Works	229,624
Parks and Recreation	16,531
Public Safety (Fire)	<u>34,471</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 303,475</u>

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2021

NOTE 5. Long-Term Debt

During 2013 the City issued \$165,000 in Equipment Certificates to purchase Fire Equipment.
 During 2011 the City issued \$247,000 in Equipment Certificates to Purchase a Road Grader (Paid 2021)
 During 2009 the City issued \$106,000 in G.O. Special Assessment Bonds (Basalt, Paid 2019).
 During 2006 the City issued \$1,145,000 in general obligation bonds for the construction of the City's Road Maintenance Building. On February 11, 2012 these bonds were defeased and replaced by 2012A Refinancing Bonds (see Page 17)
 2019A G.O. Improvement Bond issued in 2019 (See Page 17)

Bonds payable at December 31, 2021 are summarized as follows:

Bond Year	Maturity	Interest Rate	Outstanding Amounts
2011	2021	3.10%	\$ -
2012A Refunding	2022	2.00%	85,000
2013A	2023	2.43%	40,000
2019A	2030	3.00%	1,075,000
2021A	2032	2.00% (2029)	\$ 2,680,000
		(Then 1.00 to 1.15)	

Changes in Bonds payable during 2021 are as follows:

Bond Year	12/31/2020	Issued	Retired	12/31/2021
2021A	\$ -	\$ 2,680,000	\$ -	\$ 2,680,000
2019A	1,175,000	-	100,000	1,075,000
2012A-Refunding	165,000	-	80,000	85,000
2011	28,000	-	28,000	-
2013A	60,000	-	20,000	40,000
Totals	<u>\$ 1,428,000</u>	<u>\$ 2,680,000</u>	<u>\$ 228,000</u>	<u>\$ 3,880,000</u>

The following is a schedule of the City Bond Debt Service requirements as of December 31, 2021.

2013 G.O. FIRE EQUIPMENT CERTIFICATES				
2022	20,000	729	20,729	2.43%
2023	20,000	243	20,243	2.43%
Totals	<u>\$ 40,000</u>	<u>\$ 972</u>	<u>\$ 40,972</u>	

On October 7th, 2021, the City issued 2021A General Obligation Bonds of \$2,680,000. A premium was received of \$120,727 which amounts to \$2,800,727 of gross proceeds. \$64,235 of costs were incurred.

Debt Services as Follows:

	Bond	Interest	Total
2022	\$ -	\$ 37,950	\$ 37,950
2023	245,000	44,020	289,020
2024	260,000	38,970	298,970
2025	275,000	33,620	308,620
2026	275,000	28,120	303,120
2027-2032	1,625,000	60,533	1,685,533
	<u>\$ 2,680,000</u>	<u>\$ 243,213</u>	<u>\$2,923,213</u>

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2021

NOTE 5. Long Term Debt

2012A G.O. CAPITAL IMPROVEMENT PLAN REFUNDING BONDS DATED APRIL 11, 2012

These Bonds, \$695,000, were issued in advance to and for retirement of the 2006A Bonds on the call date for such bonds February 1, 2014. Proceeds of public sale were \$714,229, a premium of \$19,229. Funds placed in escrow April 11, 2012. Costs of issuance were \$43,007.

Debt Service schedule as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2022	85,000	850	85,850	2.00%
	<u>\$ 85,000</u>	<u>\$ 850</u>	<u>\$ 85,850</u>	

2019A G.O. IMPROVEMENT BONDS DATED JULY 16, 2019

\$1,175,000 of General Obligation Improvement Bonds were issued by the City on July 16, 2019. Proceeds of \$1,252,131 included a premium. \$77,131 included revenues in 2019. Bond issuance costs of \$40,460 are included in Capital Outlay.

Debt service as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2022	\$ 100,000	\$ 30,750	\$ 130,750	3.00%
2023	105,000	27,675	132,675	3.00%
2024	105,000	24,525	129,525	3.00%
2025	120,000	21,150	141,150	3.00%
2026	125,000	17,475	142,475	3.00%
2027	125,000	13,725	138,725	3.00%
2028	130,000	9,900	139,900	3.00%
2029	130,000	6,000	136,000	3.00%
2030	135,000	2,025	137,025	3.00%
	<u>\$ 1,075,000</u>	<u>\$ 153,225</u>	<u>\$ 1,228,225</u>	

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2021

NOTE 6. RESERVED AND DESIGNATED FUND BALANCE

Fund balances have been restricted or assigned at December 31, 2021 as follows:

<u>Capital Project - Assigned for</u>		
<u>Capital Outlay</u>	\$	2,634,249
<u>Restricted</u>		
Debt Service	\$	685,046
Park Acquisition		255,935
	\$	940,981

NOTE 7. Defined Benefit Pension Plans

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

Full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

CITY OF NOWTHEN, MINNESOTA
Notes for Financial Statement
December 31, 2021

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 services.

GERF Benefits

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. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year 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 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.

B. 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

Coordinated Plan members are required to contribute 6.5% of their annual covered salary in calendar year 2020. The City was required to contribute 7.5% for Coordinated Plan members. The City contributions to the GERF for the year ended December 31, 2021 (Thru June 30, 2021) were \$19,549. The City's contributions were equal to the required contributions for each year as set by state statutes.

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2021

C. Pension Costs

General Employees Fund Pension Cost

At December 31, 2021, the City reported a liability of \$173,000 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing city 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 about \$5,000. The net pension liability 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. As of June 30, 2021 the City's proportion was .00003 percent which was about the same as 2020.

For the year ended December 31, 2021, the city recognized pension expense of \$16,000 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2021, the City reported its proportion share for GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	\$ 94,000	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 149,000
Changes in proportion and differences between contributions made and City's proportionate share of contributions (second part to be determined by the City)	\$ 9,000	\$ -
City's contributions to GERF subsequent to the measurement date.	\$ 9,000	\$ -
Total	\$ 112,000	\$ 149,000

City: City nets deferred outflows against the gross pension liability on the statement of net position.

**CITY OF NOWTHEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Reported deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2022	(\$4,500)
2023	(\$4,500)

E. Actuarial Assumptions

The total pension liability, in the June 30, 2021 actuarial valuation, was determined using the entry age normal actuarial cost method and the following actuarial assumptions.

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability recipients were based on Pub-2010 tables for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for then General Employees Plan.

Actuarial assumptions, used in the June 30th, 2021 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.

General Employee Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 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.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost Of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 the Rule of 90 retirees, disability recipients or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2021

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 targeted 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 Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Bonds	25.0%	0.75%
Alternative Assets	25.0%	5.90%
Cash	0.0%	0.00%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%.

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 payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculate 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 1% lower or 1% higher than the current discount rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
PERA Discount Rate City's proportionate share of the GERF net pension	314,000	173,000	90,000

H. Pension Plan Fiduciary Net Position

Detailed information about PERA's pension funds' fiduciary net position is available in separately-issued PERA financial report. That report may be obtained on the internet at www.mnpera.or; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088.

CITY OF NOWTHEN, MINNESOTA

Notes to Financial Statements

December 31, 2021

NOTE 7. EMPLOYEE PENSION PLANS - STATEWIDE (continued)

Note 7. Defined Contribution Plan

Four City Council members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP 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 plan plus investment earnings, less administrative expenses. Minn. Stat. 353D.03 specifies plan provision, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each members account annually.

Total contributions made by the City during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$515	\$515	5%	5%	5%

NOTE 8. CONTINGENCIES/CONTINGENT ASSETS/SUBSEQUENT EVENTS

Delinquent taxes at December 31, 2021 were about \$40,000.

The City has an extended medical leave benefit. The maximum exposure of this plan at December 31, 2021 was estimated at about \$49,643.

The City has available funds in the Anoka County H.R.A. In order to receive these funds, qualified projects must exist. The most recent amount reported by the H.R.A. is about \$735,000 at December 31, 2021. \$200,000 was used on a qualified project in 2021.

**COMBINING STATEMENTS
NON-MAJOR FUNDS**

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF NOWTHEN, MINNESOTA
Annual Financial Report
December 31, 2021
Non-Major Funds I

Capital Project Funds are used to account for financial resources to be used for the acquisition of major equipment and/or construction of capital facilities.

The **Building Capital Fund** was originated to accumulate resources to improve and repair any City Buildings.

The **Pinnaker Lake Road Project Fund** was established to account for special assessments levied and collected used for a Road Improvement Project named "Pinnaker Lake".

The **Equipment Replacement Fund** was established to consolidate all other Equipment Funds.

The **2021A Debt Service Fund** was just established at the end of 2021 to include special assessments for debt service and the residual of the 2020 Road Improvement Fund (if any). This Fund will either become a Major Fund in 2022 or be classified with other debt service funds (see page 26 and 27).

The **Grant Fund** is used to isolate the revenue and expenditures of these unusual sources.

CITY OF NOWTHEN, MINNESOTA
Non-Major Funds I
Capital Projects Funds
Combining Balance Sheet
December 31, 2021

	<u>Pinnaker Lake Road Fund</u>	<u>Building Fund</u>	<u>Equipment Replacement Fund</u>	<u>Grant Fund</u>	<u>2021A G.O. Debt Service</u>	<u>2021 Combined</u>
<u>Assets</u>						
Cash	\$ -	\$ 195,208	\$ 1,129,939	\$ -	\$ 189,203	\$ 1,514,350
Special Assessments	25,689	-	-	-	198,142	223,831
Special Assessments-2021	-	-	-	-	252,000	252,000
Total Assets	<u>\$ 25,689</u>	<u>\$ 195,208</u>	<u>\$ 1,129,939</u>	<u>\$ -</u>	<u>\$ 639,345</u>	<u>\$ 1,990,181</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Cash Deficit	\$ 19,407	-	-	-	-	\$ 19,407
Accounts Payable	-	-	39,745	-	-	39,745
Contracts Payable	-	-	-	-	-	-
Deferred Inflows	25,689	-	-	-	450,142	475,831
Total Liabilities	<u>\$ 45,096</u>	<u>\$ -</u>	<u>\$ 39,745</u>	<u>\$ -</u>	<u>\$ 450,142</u>	<u>\$ 534,983</u>
Fund Balance						
Unassigned	\$ (19,407)	-	-	-	-	\$ (19,407)
Restricted					189,203	189,203
Assigned	-	195,208	1,090,194	-	-	1,285,402
Total	<u>\$ (19,407)</u>	<u>\$ 195,208</u>	<u>\$ 1,090,194</u>	<u>\$ -</u>	<u>\$ 189,203</u>	<u>\$ 1,455,198</u>
Total Liabilities and Fund Balance	<u>\$ 25,689</u>	<u>\$ 195,208</u>	<u>\$ 1,129,939</u>	<u>\$ -</u>	<u>\$ 639,345</u>	<u>\$ 1,990,181</u>

CITY OF NOWTHEN, MINNESOTA
Non-Major Funds I
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2021

	<u>Pinnaker Lake Road Fund</u>	<u>Building Fund</u>	<u>Equipment Replacement Fund</u>	<u>Grant Fund</u>	<u>2021A G.O. Debt Service Fund</u>	<u>2021 Combined</u>
<u>Revenues</u>						
Special Assessments	4,602	-	-	-	189,203	193,805
Anoka County H.R.A.	-	-	-	200,000	-	200,000
Total Revenues	\$ 4,602	\$ -	\$ -	\$ 200,000	\$ 189,203	\$ 393,805
<u>Expenditures</u>						
Services/Repairs	\$ -	\$ 18,060	\$ -	\$ -	\$ -	\$ 18,060
Equipment	-	-	89,413	-	-	89,413
Bond Costs	-	-	19,390	-	-	19,390
Construction	-	-	-	200,000	-	200,000
Total Expenditures	\$ -	\$ 18,060	\$ 108,803	\$ 200,000	\$ -	\$ 326,863
<u>Other Financing</u>						
Bond Proceeds			\$ 869,390			\$ 869,390
Transfers In	\$ -	\$ 35,000	\$ 72,500	\$ -	\$ -	\$ 107,500
Transfers Out	-	\$ -	-	-	-	-
Total Other Financing Sources	\$ -	\$ 35,000	\$ 941,890	\$ -	\$ -	\$ 976,890
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>\$ 4,602</u>	<u>\$ 16,940</u>	<u>\$ 833,087</u>	<u>\$ -</u>	<u>\$ 189,203</u>	<u>\$ 1,043,832</u>
Fund Balance - January 1	\$ (24,009)	\$ 178,268	\$ 257,107	\$ -	\$ -	\$ 411,366
Fund Balance - December 31	\$ (19,407)	\$ 195,208	\$ 1,090,194	\$ -	\$ 189,203	\$ 1,455,198

CITY OF NOWTHEN, MINNESOTA
Annual Financial Report
December 31, 2021

Non-Major Funds II

DEBT SERVICE FUNDS

Debt Service Funds are established according to Minnesota Statutes. They are used to account for the accumulation of resources for, and the payment of General Long Term Debt: principal, interest, and related costs.

CITY OF NOWTHEN, MINNESOTA

Debt Service Funds

Balance Sheet

December 31, 2021

Non-Major Funds II

	2009	2013	2012A	2011	2021
	Basalt St.	Fire Certs	Refunding	Grader Certs	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
<u>ASSETS</u>					
Cash	\$ 1,066	\$ 23,635	\$ 87,652	\$ 640	\$ 112,993
Accrued Interest	-	-	-	-	-
Taxes Receivable - Net	-	630	2,152	799	3,581
Special Assessment Receivable	-	-	-	-	-
Unremitted	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Green Acres Deferred	10,031	-	-	-	10,031
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 11,097</u>	<u>\$ 24,265</u>	<u>\$ 89,804</u>	<u>\$ 1,439</u>	<u>\$ 126,605</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Cash Deficit	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Contracts Payable	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deferred Inflows	<u>\$ 10,031</u>	<hr/>	<hr/>	<hr/>	<u>\$ 10,031</u>
 <u>Fund Balance</u>					
Restricted	<u>\$ 1,066</u>	<u>\$ 24,265</u>	<u>\$ 89,804</u>	<u>\$ 1,439</u>	<u>\$ 116,574</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ 11,097</u></u>	<u><u>\$ 24,265</u></u>	<u><u>\$ 89,804</u></u>	<u><u>\$ 1,439</u></u>	<u><u>\$ 126,605</u></u>

CITY OF NOWTHEN, MINNESOTA
Debt Service Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2021

Non-Major Funds II

	2009	2013	2012A	2011	2021
	Basalt St.	Fire Certs	Refunding	Grader Certs	Totals
	Fund	Fund	Fund	Fund	
<u>REVENUES</u>					
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	20,625	70,428	26,159	117,212
State Aid	-	-	-	-	-
Interest on Investments	-	-	-	-	-
Total Revenues	\$ -	\$ 20,625	\$ 70,428	\$ 26,159	\$ 117,212
<u>EXPENDITURES</u>					
Contract Services and Other	-	-	775	-	775
Bond Principal	-	20,000	80,000	28,000	128,000
Interest on Bonds	-	1,215	2,500	868	4,583
Total Expenditures	-	21,215	83,275	28,868	133,358
Excess (Deficiency) of Revenues					
Over Expenditures	-	(590)	(12,847)	(2,709)	(16,146)
<u>Other Financing Source(Uses)</u>					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
Total Other Financing					
Sources (Uses)	-	-	-	-	-
Excess (Deficiency) of Revenues					
Over Expenditures and					
Other Sources (Uses)	-	(590)	(12,847)	(2,709)	(16,146)
Fund Balance - December 31, 2020	1,066	24,855	102,651	4,148	132,720
Fund Balance - December 31, 2021	\$ 1,066	\$ 24,265	\$ 89,804	\$ 1,439	\$ 116,574

Michael W. Pofahl
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

Report on Compliance with Minnesota Legal
Compliance Audit Guide for Local Government

To the Honorable Mayor and
Members of the City Council
City of Nowthen, Minnesota

I have audited the financial statements of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2021, and have issued my report thereon dated May 18, 2022.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Provisions of the Minnesota Legal Compliance Audit Guide for Local Government promulgated by State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The Minnesota Legal compliance Audit Guide for Local Government covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment districts. My study included all of the listed categories except tax increment districts. The City of Nowthen, Minnesota has a no tax increment districts.

The results of my tests indicate that for the items tested, the City of Nowthen, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City of Nowthen, Minnesota and is not intended to be and should not be used by anyone other than these specified parties.



Michael W. Pofahl, C.P.A.
May 18, 2022

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

Report on Internal Control Over Financial Reporting and on Compliance

To the Honorable Mayor and
Members of the City Council
City of Nowthen, Minnesota

I have audited the financial statements of the governmental activities and each major fund of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2021, which collectively comprise the City of Nowthen's basic financial statements as listed in the table of contents. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing my audit, I considered the City of Nowthen, Minnesota's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nowthen, Minnesota's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Nowthen, Minnesota's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I identified no deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

As part of obtaining reasonable assurance about whether the City of Nowthen, Minnesota's financial statements are free of material misstatements, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required under Government Auditing Standards.

This report is intended solely for the information and use of management, members of the board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Michael W. Pofahl C.P.A.

May 18, 2022

