



Annual Financial Report

City of Hamburg
Hamburg, Minnesota

For the year ended December 31, 2023



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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Hamburg, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Lund	Mayor	12/31/26
Tim Tracy	Council Member/Vice Mayor	12/31/24
Mitch Polzin	Council Member	12/31/26
Eric Poppler	Council Member	12/31/26
Jessica Weber	Council Member	12/31/24

APPOINTED

<u>Name</u>	<u>Title</u>
Jeremy Gruenhagen	Clerk/Treasurer
Jan Shoemaker	Deputy Clerk/Utility Billing Clerk

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FINANCIAL SECTION
CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hamburg, Minnesota

Report on the Financial Statements

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 Hamburg, Minnesota, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 annual report. The other information comprises the introductory 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 April 15, 2024, on our consideration of the City's internal control over financial reporting and 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 of Hamburg'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.



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Minneapolis, Minnesota
April 15, 2024



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Management's Discussion and Analysis

As management of the City of Hamburg, Minnesota, (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, 2023.

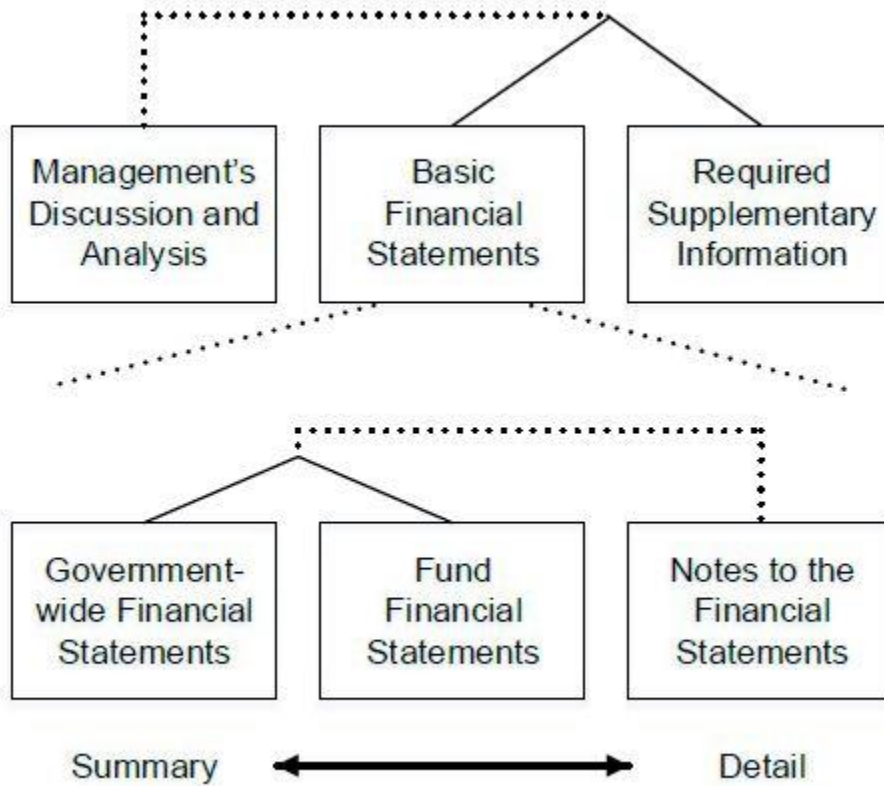
Financial Highlights

- 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 as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase was a result of governmental activities and decreasing business-type activities' net position when compared to prior year.
- As of the close of the current fiscal year, the City's governmental funds reported a slight increase in the combined ending fund balances in comparison with the prior year. Assigned and unassigned fund balance is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund increased in comparison to the prior year.
- The City's total long-term debt decreased during the current fiscal year. This is primarily due to scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis is 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 following chart shows how the required parts of this annual report are arranged and relate to one another.

Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City’s financial statements, including the portion of the City’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary 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, sewer, and storm water systems
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 Fund Net Position • Statement of Cash Flows
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
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
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	All deferred outflows/inflows of resources, regardless of when cash is received or paid.
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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

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 revenue (*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, culture and recreation and interest on long-term debt. The business-type activities of the City include water, sewer, and storm water operations.

The government-wide financial statements start on page 29 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 City'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 City'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 several individual governmental funds. 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 and Capital Purchases funds, both of which are considered to be major funds. Data from the other governmental funds are identified as nonmajor and presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *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, sewer and storm water operations.

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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 39 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 start on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hamburg'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. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, historical treasures and collectable, buildings, machinery and equipment, vehicles, and infrastructure), 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 Hamburg's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 1,204,777	\$ 1,216,692	\$ (11,915)	\$ 551,856	\$ 565,385	\$ (13,529)
Capital assets (net of depreciation)	1,306,008	1,333,421	(27,413)	2,486,792	2,628,856	(142,064)
Total Assets	<u>2,510,785</u>	<u>2,550,113</u>	<u>(39,328)</u>	<u>3,038,648</u>	<u>3,194,241</u>	<u>(155,593)</u>
Deferred Outflows of Resources	138,494	147,210	(8,716)	10,884	14,528	(3,644)
Liabilities						
Noncurrent liabilities outstanding	81,265	195,345	(114,080)	1,988,196	2,183,988	(195,792)
Current and other liabilities	71,106	81,678	(10,572)	20,722	15,977	4,745
Total Liabilities	<u>152,371</u>	<u>277,023</u>	<u>(124,652)</u>	<u>2,008,918</u>	<u>2,199,965</u>	<u>(191,047)</u>
Deferred Inflows of Resources	49,090	44,785	4,305	44,503	591	43,912
Net Position						
Net investment in capital assets	1,306,008	1,295,621	10,387	532,703	490,767	41,936
Restricted for fire pension	48,416	133,453	(85,037)	-	-	-
Restricted for public safety	24,812	-	24,812	-	-	-
Unrestricted	<u>1,068,582</u>	<u>946,441</u>	<u>122,141</u>	<u>463,408</u>	<u>517,446</u>	<u>(54,038)</u>
Total Net Position	<u>\$ 2,447,818</u>	<u>\$ 2,375,515</u>	<u>\$ 72,303</u>	<u>\$ 996,111</u>	<u>\$ 1,008,213</u>	<u>\$ (12,102)</u>
Net Position as a Percent of Total						
Net Investment in Capital Assets	53.4 %	54.5 %		53.5 %	48.7 %	
Restricted	3.0	6.0		-	-	
Unrestricted	<u>43.6</u>	<u>39.5</u>		<u>46.5</u>	<u>51.3</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

The City's remaining fund balance is represented as *unrestricted net position*, which 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.

Statement of Activities. Governmental activities increased the City’s net position and business-type activities decreased the City’s net position for an overall increase in net position as significant changes from the prior year are noted below:

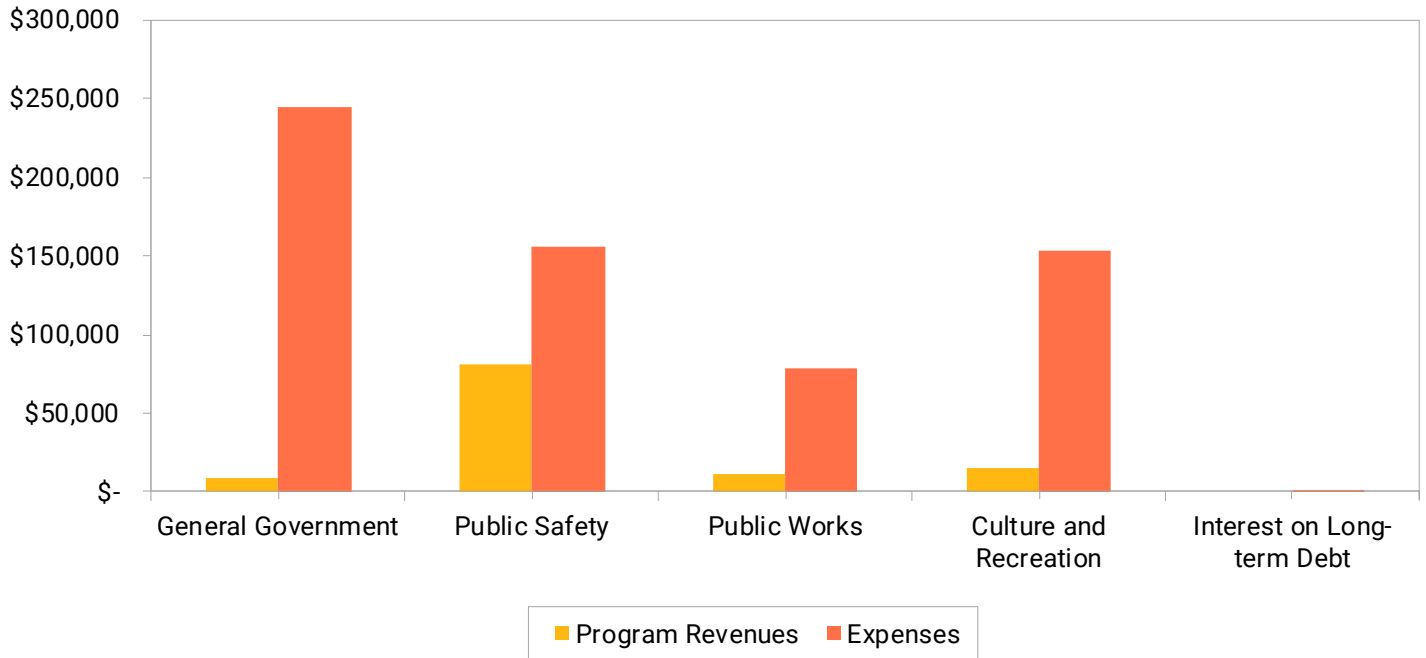
City of Hamburg’s Changes in Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 52,691	\$ 50,042	\$ 2,649	\$ 329,442	\$ 326,316	\$ 3,126
Operating grants and contributions	40,455	23,290	17,165	-	-	-
Capital grants and contributions	22,722	34,835	(12,113)	1,193	1,452	(259)
General revenues						
Property taxes						
Levied for general purposes	534,610	517,502	17,108	-	-	-
Levied for debt service	29,792	29,800	(8)	-	-	-
Franchise fees	1,815	2,352	(537)	-	-	-
Grants and contributions not restricted to specific programs	98,114	97,171	943	-	-	-
Unrestricted investment earnings	11,576	3,168	8,408	-	-	-
Gain on sale of capital assets	7,502	-	7,502	-	-	-
Total Revenues	799,277	758,160	41,117	330,635	327,768	2,867
Expenses						
General government	244,243	299,748	(55,505)	-	-	-
Public safety	156,002	209,272	(53,270)	-	-	-
Public works	78,773	96,786	(18,013)	-	-	-
Culture and recreation	153,240	112,216	41,024	-	-	-
Interest on long-term debt	1,196	3,806	(2,610)	-	-	-
Water	-	-	-	308,344	260,205	48,139
Sewer	-	-	-	83,123	168,987	(85,864)
Storm water	-	-	-	44,790	36,633	8,157
Total Expenses	633,454	721,828	(88,374)	436,257	465,825	(29,568)
Change in Net Position Before Transfers	165,823	36,332	129,491	(105,622)	(138,057)	32,435
Transfers	(93,520)	(50,000)	(43,520)	93,520	50,000	43,520
Change in Net Position	72,303	(13,668)	85,971	(12,102)	(88,057)	75,955
Net Position, January 1	2,375,515	2,389,183	(13,668)	1,008,213	1,096,270	(88,057)
Net Position, December 31	<u>\$ 2,447,818</u>	<u>\$ 2,375,515</u>	<u>\$ 72,303</u>	<u>\$ 996,111</u>	<u>\$ 1,008,213</u>	<u>\$ (12,102)</u>

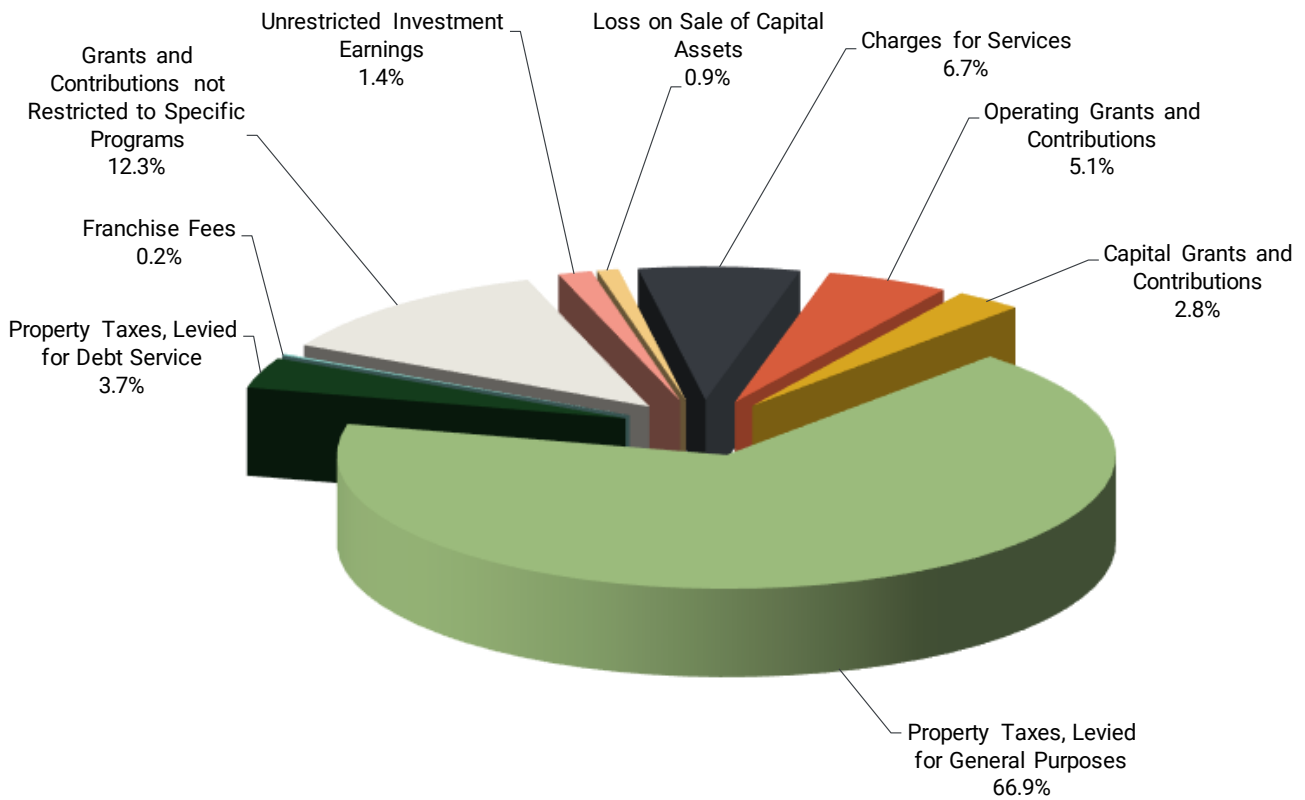
The decreases in general government, public safety, and public works expenses relate to the pension plan liability adjustments.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



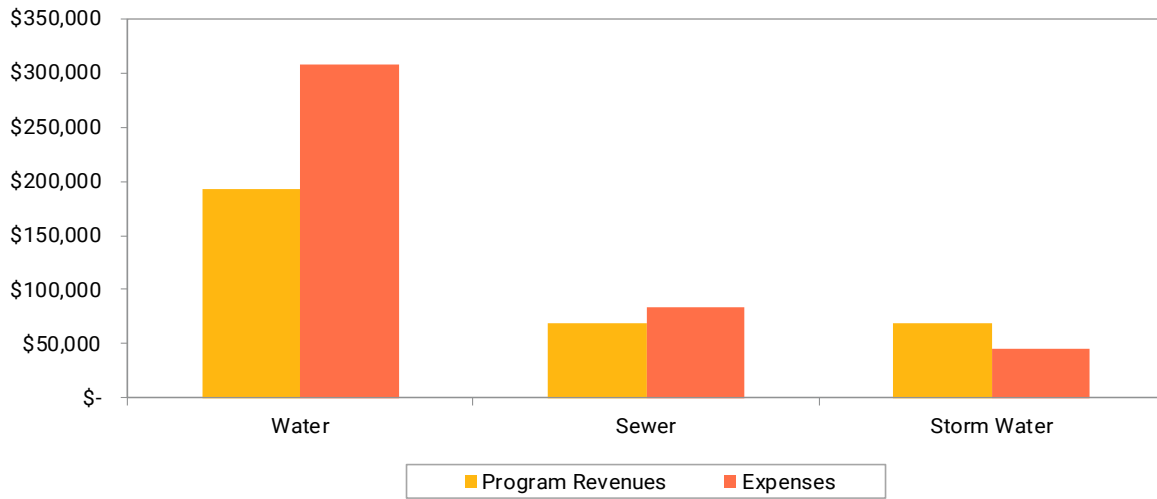
Revenues by Source - Governmental Activities



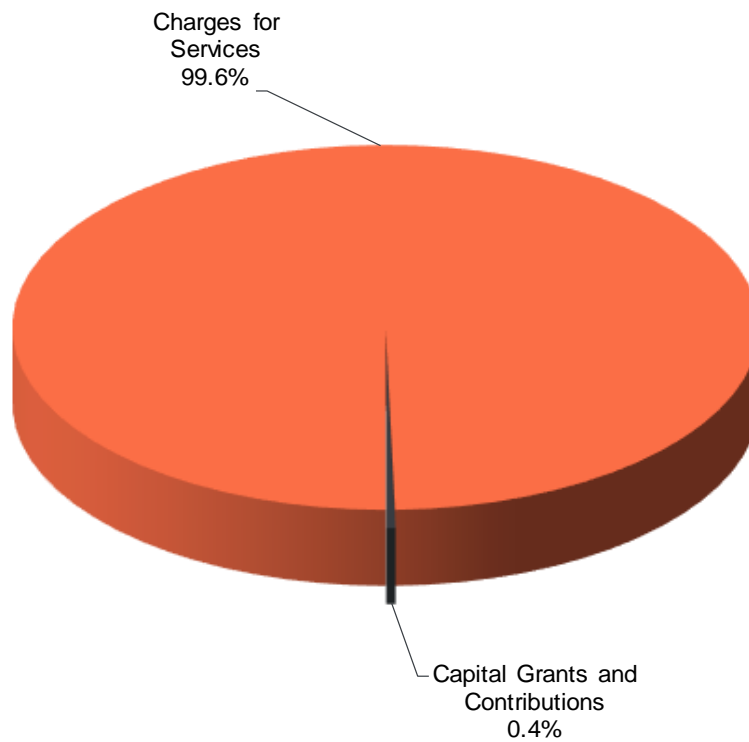
Business-type Activities. Business-type activities decreased the City's net position. Key elements of this increase are as follows:

- The increase in water and sewer expenses relates to increases in maintenance and repairs expenses.

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 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 end of the current fiscal year, the City's governmental funds reported an increase in the combined ending fund balances in comparison with the prior year. Of this amount, unassigned fund balance is available for spending at the City's discretion. The remainder of fund the balance is not available for new spending because it is either 1) nonspendable for prepaid items, 2) restricted for debt service, or 3) assigned for capital outlay.

	General Fund	Capital Purchases	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 10,698	\$ -	\$ -	\$ 10,698	\$ 9,274	\$ 1,424
Restricted	26,162	-	1,168	27,330	4,348	22,982
Assigned	-	589,241	36,973	626,214	617,813	8,401
Unassigned	443,339	-	(22,999)	420,340	423,885	(3,545)
Total	<u>\$ 480,199</u>	<u>\$ 589,241</u>	<u>\$ 15,142</u>	<u>\$ 1,084,582</u>	<u>\$ 1,055,320</u>	<u>\$ 29,262</u>

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 10,698	\$ 9,274	\$ 1,424
Restricted	26,162	-	26,162
Unassigned	443,339	441,504	1,835
Total	<u>\$ 480,199</u>	<u>\$ 450,778</u>	<u>\$ 29,421</u>
General Fund expenditures	\$ 639,292	\$ 662,961	
Unassigned as a percent of expenditures	69.3%	66.6%	
Total Fund Balance as a percent of expenditures	75.1%	68.0%	

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Capital Purchases	\$ 589,241	\$ 565,204	\$ 24,037
<i>The Capital Purchase fund decreased fund balance during the year as a result of transfers to other funds.</i>			

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City’s proprietary funds increased or (decreased) as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water	\$ 409,064	\$ 431,436	\$ (22,372)
<i>The decrease relates mainly to increased maintenance and repairs expenses.</i>			
Sewer	\$ 449,258	\$ 463,763	\$ (14,505)
<i>The decrease relates mainly to increased maintenance and repairs expenses.</i>			
Storm Water	\$ 137,789	\$ 113,014	\$ 24,775
<i>The increase primarily is attributed charges in excess of operating expenses to build reserves.</i>			

General Fund Budgetary Highlights

The final budget approved by City Council indicated excess revenues over expenditures prior to net transfers to other funds, resulting in a budgeted decrease to fund balance. Actual year-end figures resulted in an decrease to fund balance.

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 598,786	\$ -	\$ 598,786	\$ 752,781	\$ 153,995
Expenditures	522,786	-	522,786	639,292	(116,506)
Excess of Revenues Over Expenditures	76,000	-	76,000	113,489	37,489
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	7,502	7,502
Transfers in	-	-	-	71,911	71,911
Transfers out	(76,000)	-	(76,000)	(163,481)	(87,481)
Total Other Financing Sources (Uses)	(76,000)	-	(76,000)	(84,068)	(8,068)
Net Change in Fund Balances	-	-	-	29,421	29,421
Fund Balances, January 1	450,778	-	450,778	450,778	-
Fund Balances, December 31	\$ 450,778	\$ -	\$ 450,778	\$ 480,199	\$ 29,421

Some of the significant line item variances can be briefly summarized as follows:

- The largest revenue budget variance was in intergovernmental revenues primarily from unbudgeted collections of local government aid and public safety aid.
- The largest expenditure variances related to capital outlay being \$89,881 over budget.

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, 2023, decreased as shown in Net of Depreciation table below (net of accumulated depreciation). This investment in capital assets includes land, historical treasures and collectables, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset activity includes:

- 2023 Machinery, equipment and vehicles.

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

	Governmental Activities			Business-type Activities			Total		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 100,000	\$ 100,000	\$ -	\$ 37,000	\$ 37,000	\$ -	\$ 137,000	\$ 137,000	\$ -
Historical treasures and collectables	11,873	11,873	-	-	-	-	11,873	11,873	-
Buildings	6,606	7,714	(1,108)	-	-	-	6,606	7,714	(1,108)
Machinery and equipment	166,113	165,746	367	27,193	35,393	(8,200)	193,306	201,139	(7,833)
Vehicles	386,641	366,281	20,360	-	-	-	386,641	366,281	20,360
Infrastructure	634,775	681,807	(47,032)	2,422,599	2,556,463	(133,864)	3,057,374	3,238,270	(180,896)
Total	\$ 1,306,008	\$ 1,333,421	\$ (27,413)	\$ 2,486,792	\$ 2,628,856	\$ (142,064)	\$ 3,792,800	\$ 3,962,277	\$ 11,419
Percent increase (decrease)			-2.1%			-5.4%			0.3%

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding decreased. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Hamburg's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Certificates of Indebtedness	\$ -	\$ 22,800	\$ (22,800)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	-	15,000	(15,000)	-	-	-
G.O. Revenue Bonds	-	-	-	1,954,089	2,138,089	(184,000)
Total	\$ -	\$ 37,800	\$ (37,800)	\$ 1,954,089	\$ 2,138,089	\$ (184,000)
Percent increase (decrease)			-100.0%			-8.6%

The City's total long-term debt decreased during the current fiscal year. This is primarily due to regularly scheduled debt payments.

The City's statutory debt limit is computed as three percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. As of December 31, 2023, the City is under the legal debt margin. There is currently no outstanding debt at year end that is applied against the statutory debt limit.

Additional information on the City's long-term debt can be found in Note 3E starting on page 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- Overall General Fund revenues for 2024 Budget increase by \$44,574 and General Fund expenditures for 2024 increased by \$62,020 (Including transfers). A net loss/gain of \$16,366 is projected for 2024. Local Government Aid (LGA) was not included in the 2023/2024 budgets. LGA monies are earmarked for street improvements. The property tax levy for 2024 was increased by 2.00 percent. City Property Tax Rate increased by 4.61 percent.
- General Governmental expenditures in the General Fund for 2024 decreased by \$3,680.00 (Health Insurance Expenses/Equipment/Repairs & Maintenance).
- Public Safety expenditures for 2024 were increased by \$8,645 (Policing Expenses increased \$6,195).
- Public Works expenditures for 2024 were increased by \$29,955. Seal Coating scheduled for completion in 2024 increased by \$30,000.
- Park expenditures for 2024 were increased by \$2,305. Repairs/maintenance expenses were increased by \$2,500.
- Hall expenditures for 2024 were increased by \$4,795. Repair and maintenance expenditures for 2024 increased by \$7,500.
- General Fund budgeted transfers out for 2024 include the following: \$90,000 to Sewer Fund to rebuild grinder station, \$6,000 to Fire Equipment CD for equipment replacement.
- Debt Service fund revenues remained \$0 in 2024. Debt Service expenditures for 2024 remained the same. No new debt was issued in 2023 or expected for 2024.
- Water rates were increased 2.0% for 2023 and 2.0% for 2024. This trend will continue over the next few years to help fund the new Water Tower that was constructed in 2019/2020. 2024 Expenses decreased by \$76,795 (2023 Watermain Improvements). Debt payments for 2024 remained relatively the same. A net loss of \$4,187.98 is projected for 2024.
- Sewer rates were increased by 5% for 2023 and 5% for 2024. Budgeted expenditures for 2024 increased by \$130,235 (Rebuild grinder station/replace gate valves at lift station). Major repairs (Riprap) for the next few years will take place at the stabilization ponds and lift stations, these expenses will be covered mainly with fund reserves and a transfer from the General Fund. Debt payments for 2024 decreased by \$201. A net loss of \$39,478 is projected for 2024. The sewer fund is relatively healthy and sufficient.
- Storm Water rates remained the same for 2023/2024. Storm Water fund revenues and expenditures for 2024 are projected to remain relatively the same as 2023. Debt payments for 2024 decreased by \$830. A net decrease in cash of \$2,508 is projected for 2024.

All of these factors were considered in preparing the City's budget for the 2024 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 City Clerk/Treasurer, City of Hamburg, 181 Broadway Ave, Hamburg, Minnesota 55339.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Hamburg, Minnesota
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 1,127,740	\$ 457,261	\$ 1,585,001
Receivables			
Taxes	4,034	-	4,034
Accounts	2,113	31,540	33,653
Leases	-	27,294	27,294
Special assessments	-	32,570	32,570
Due from other governments	11,776	-	11,776
Prepaid items	10,698	3,191	13,889
Net pension asset	48,416	-	48,416
Capital assets			
Land, collectables, and construction in progress	111,873	37,000	148,873
Depreciable assets (net of accumulated depreciation)	1,194,135	2,449,792	3,643,927
Total Assets	<u>2,510,785</u>	<u>3,038,648</u>	<u>5,549,433</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>138,494</u>	<u>10,884</u>	<u>149,378</u>
Liabilities			
Accounts payable	11,770	7,042	18,812
Accrued salaries payable	998	2,661	3,659
Due to other governments	1,840	49	1,889
Accrued interest payable	-	10,970	10,970
Unearned revenue	56,498	-	56,498
Noncurrent liabilities			
Due within one year			
Long-term liabilities	12,274	189,444	201,718
Due in more than one year			
Long-term liabilities	-	1,767,089	1,767,089
Net pension liability	68,991	31,663	100,654
Total Liabilities	<u>152,371</u>	<u>2,008,918</u>	<u>2,161,289</u>
Deferred Inflows of Resources			
Deferred lease revenue	-	26,942	26,942
Deferred pension resources	49,090	17,561	66,651
Total Deferred Inflows of Resources	<u>49,090</u>	<u>44,503</u>	<u>93,593</u>
Net Position			
Net investment in capital assets	1,306,008	532,703	1,838,711
Restricted for fire pensions	48,416	-	48,416
Restricted for public safety	24,812	-	24,812
Unrestricted	<u>1,068,582</u>	<u>463,408</u>	<u>1,531,990</u>
Total Net Position	<u>\$ 2,447,818</u>	<u>\$ 996,111</u>	<u>\$ 3,443,929</u>

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

City of Hamburg, Minnesota
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 244,243	\$ 8,275	\$ -	\$ -
Public safety	156,002	30,875	28,679	21,276
Public works	78,773	-	11,776	96
Culture and recreation	153,240	13,541	-	1,350
Interest on long-term debt	1,196	-	-	-
Total Governmental Activities	633,454	52,691	40,455	22,722
Business-type Activities				
Water	308,344	192,452	-	-
Sewer	83,123	67,425	-	1,193
Storm water	44,790	69,565	-	-
Total Business-type Activities	436,257	329,442	-	1,193
Total	\$ 1,069,711	\$ 382,133	\$ 40,455	\$ 23,915

General Revenues

Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (235,968)	\$ -	\$ (235,968)
(75,172)	-	(75,172)
(66,901)	-	(66,901)
(138,349)	-	(138,349)
(1,196)	-	(1,196)
<u>(517,586)</u>	<u>-</u>	<u>(517,586)</u>
-	(115,892)	(115,892)
-	(14,505)	(14,505)
-	24,775	24,775
<u>-</u>	<u>(105,622)</u>	<u>(105,622)</u>
<u>(517,586)</u>	<u>(105,622)</u>	<u>(623,208)</u>
534,610	-	534,610
29,792	-	29,792
1,815	-	1,815
98,114	-	98,114
11,576	-	11,576
7,502	-	7,502
(93,520)	93,520	-
<u>589,889</u>	<u>93,520</u>	<u>683,409</u>
72,303	(12,102)	60,201
<u>2,375,515</u>	<u>1,008,213</u>	<u>3,383,728</u>
<u>\$ 2,447,818</u>	<u>\$ 996,111</u>	<u>\$ 3,443,929</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hamburg, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	101	203	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
Assets				
Cash and temporary investments	\$ 523,357	\$ 589,241	\$ 15,142	\$ 1,127,740
Receivables				
Taxes	4,034	-	-	4,034
Accounts	2,113	-	-	2,113
Due from other governments	11,776	-	-	11,776
Prepaid items	10,698	-	-	10,698
	<u>10,698</u>	<u>-</u>	<u>-</u>	<u>10,698</u>
Total Assets	<u>\$ 551,978</u>	<u>\$ 589,241</u>	<u>\$ 15,142</u>	<u>\$ 1,156,361</u>
Liabilities				
Accounts payable	\$ 11,770	\$ -	\$ -	\$ 11,770
Accrued salaries payable	998	-	-	998
Due to other governments	1,840	-	-	1,840
Unearned revenue	56,498	-	-	56,498
Total Liabilities	<u>71,106</u>	<u>-</u>	<u>-</u>	<u>71,106</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	673	-	-	673
	<u>673</u>	<u>-</u>	<u>-</u>	<u>673</u>
Fund Balances				
Nonspendable for prepaid items	10,698	-	-	10,698
Restricted for debt service	-	-	1,168	1,168
Restricted for public safety	24,812	-	-	24,812
Restricted for holiday decorations	1,350	-	-	1,350
Assigned for capital outlay	-	589,241	36,973	626,214
Unassigned	443,339	-	(22,999)	420,340
Total Fund Balances	<u>480,199</u>	<u>589,241</u>	<u>15,142</u>	<u>1,084,582</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 551,978</u>	<u>\$ 589,241</u>	<u>\$ 15,142</u>	<u>\$ 1,156,361</u>

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

City of Hamburg, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2023

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

Total Fund Balances - Governmental Funds	\$ 1,084,582
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	5,416,753
Less: accumulated depreciation	(4,110,745)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	48,416
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(12,274)
Pension liability	(68,991)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	673
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	138,494
Deferred inflow of resources	(49,090)
Total Net Position - Governmental Activities	\$ 2,447,818

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

City of Hamburg, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	101	203	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
Revenues				
Property taxes	\$ 536,275	\$ -	\$ 29,792	\$ 566,067
Licenses and permits	9,700	-	-	9,700
Intergovernmental	127,931	-	-	127,931
Charges for services	42,181	-	1,815	43,996
Fines and forfeitures	810	-	-	810
Special assessments	-	-	1,150	1,150
Investment earnings	2,628	7,843	1,105	11,576
Miscellaneous	33,256	-	-	33,256
Total Revenues	<u>752,781</u>	<u>7,843</u>	<u>33,862</u>	<u>794,486</u>
Expenditures				
Current				
General government	244,230	-	-	244,230
Public safety	92,986	-	-	92,986
Public works	44,229	-	-	44,229
Culture and recreation	128,366	-	412	128,778
Capital outlay				
General government	59,957	-	-	59,957
Public safety	55,967	-	-	55,967
Public works	507	-	-	507
Culture and recreation	13,050	-	-	13,050
Debt service				
Principal	-	-	37,800	37,800
Interest and other charges	-	-	1,702	1,702
Total Expenditures	<u>639,292</u>	<u>-</u>	<u>39,914</u>	<u>679,206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>113,489</u>	<u>7,843</u>	<u>(6,052)</u>	<u>115,280</u>
Other Financing Sources (Uses)				
Transfers in	71,911	87,481	6,000	165,392
Transfers out	(163,481)	(71,287)	(24,144)	(258,912)
Sale of capital assets	7,502	-	-	7,502
Total Other Financing Sources (Uses)	<u>(84,068)</u>	<u>16,194</u>	<u>(18,144)</u>	<u>(86,018)</u>
Net Change in Fund Balances	29,421	24,037	(24,196)	29,262
Fund Balances, January 1	<u>450,778</u>	<u>565,204</u>	<u>39,338</u>	<u>1,055,320</u>
Fund Balances, December 31	<u>\$ 480,199</u>	<u>\$ 589,241</u>	<u>\$ 15,142</u>	<u>\$ 1,084,582</u>

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

City of Hamburg, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$	29,262
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlay		85,636
Depreciation expense		(113,049)
<p>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.</p>		
Principal repayments		37,800
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds 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.</p>		
		506
<p>Long-term pension activity is not reported in governmental funds.</p>		
Pension expense		35,305
Pension revenue		8
<p>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.</p>		
Special assessments		(1,054)
Property taxes		(1,665)
<p>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 the governmental funds.</p>		
Compensated absences		(446)
		(446)
Change in Net Position - Governmental Activities	\$	72,303

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

City of Hamburg, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 534,036	\$ 534,036	\$ 536,275	\$ 2,239
Licenses and permits	10,700	10,700	9,700	(1,000)
Intergovernmental	5,500	5,500	127,931	122,431
Charges for services	43,550	43,550	42,181	(1,369)
Fines and forfeitures	500	500	810	310
Investment earnings	1,500	1,500	2,628	1,128
Miscellaneous	3,000	3,000	33,256	30,256
Total Revenues	<u>598,786</u>	<u>598,786</u>	<u>752,781</u>	<u>153,995</u>
Expenditures				
Current				
General government	257,690	257,690	244,230	13,460
Public safety	99,271	99,271	92,986	6,285
Public works	42,560	42,560	44,229	(1,669)
Culture and recreation	83,665	83,665	128,366	(44,701)
Capital outlay	39,600	39,600	129,481	(89,881)
Total Expenditures	<u>522,786</u>	<u>522,786</u>	<u>639,292</u>	<u>(116,506)</u>
Excess of Revenues Over Expenditures	<u>76,000</u>	<u>76,000</u>	<u>113,489</u>	<u>37,489</u>
Other Financing Sources (Uses)				
Transfers in	-	-	71,911	71,911
Transfers out	(76,000)	(76,000)	(163,481)	(87,481)
Sale of capital assets	-	-	7,502	7,502
Total Other Financing Sources (Uses)	<u>(76,000)</u>	<u>(76,000)</u>	<u>(84,068)</u>	<u>(8,068)</u>
Net Change in Fund Balances	-	-	29,421	29,421
Fund Balances, January 1	<u>450,778</u>	<u>450,778</u>	<u>450,778</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 450,778</u>	<u>\$ 450,778</u>	<u>\$ 480,199</u>	<u>\$ 29,421</u>

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

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

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 57,715	\$ 303,742	\$ 95,804	\$ 457,261
Receivables				
Accounts	18,286	6,483	6,771	31,540
Special assessments	-	4,218	-	4,218
Lease	1,196	-	-	1,196
Prepaid items	2,170	1,021	-	3,191
Total Current Assets	<u>79,367</u>	<u>315,464</u>	<u>102,575</u>	<u>497,406</u>
Noncurrent Assets				
Lease receivable	26,098	-	-	26,098
Special assessments receivable		28,352	-	28,352
Capital assets				
Land	-	-	37,000	37,000
Machinery and equipment	9,306	107,605	-	116,911
Infrastructure	3,058,885	1,041,543	820,554	4,920,982
Less accumulated depreciation	(1,399,250)	(950,798)	(238,053)	(2,588,101)
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,668,941</u>	<u>198,350</u>	<u>619,501</u>	<u>2,486,792</u>
Total Noncurrent Assets	<u>1,695,039</u>	<u>226,702</u>	<u>619,501</u>	<u>2,541,242</u>
Total Assets	<u>1,774,406</u>	<u>542,166</u>	<u>722,076</u>	<u>3,038,648</u>
Deferred Outflows of Resources				
Deferred pension resources	6,699	4,185	-	10,884
Liabilities				
Current Liabilities				
Accounts payable	5,481	1,561	-	7,042
Accrued salaries payable	1,124	1,537	-	2,661
Due to other governments	49	-	-	49
Accrued interest payable	5,862	321	4,787	10,970
Compensated absences payable	1,198	1,246	-	2,444
Current portion of bonds payable	114,000	16,000	57,000	187,000
Total Current Liabilities	<u>127,714</u>	<u>20,665</u>	<u>61,787</u>	<u>210,166</u>
Noncurrent Liabilities				
Bonds payable	1,188,500	56,089	522,500	1,767,089
Net pension liability	19,628	12,035	-	31,663
Total Noncurrent Liabilities	<u>1,208,128</u>	<u>68,124</u>	<u>522,500</u>	<u>1,798,752</u>
Total Liabilities	<u>1,335,842</u>	<u>88,789</u>	<u>584,287</u>	<u>2,008,918</u>
Deferred Inflows of Resources				
Deferred pension resources	9,257	8,304	-	17,561
Deferred lease revenue	26,942	-	-	26,942
Total Deferred Inflows of Resources	<u>36,199</u>	<u>8,304</u>	<u>-</u>	<u>44,503</u>
Net Position				
Net investment in capital assets	366,441	126,261	40,001	532,703
Unrestricted	42,623	322,997	97,788	463,408
Total Net Position	<u>\$ 409,064</u>	<u>\$ 449,258</u>	<u>\$ 137,789</u>	<u>\$ 996,111</u>

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

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City of Hamburg, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Operating Revenues				
Charges for services	\$ 190,148	\$ 67,423	\$ 69,565	\$ 327,136
Operating Expenses				
Personnel services	44,594	38,117	-	82,711
Supplies	12,314	5,407	152	17,873
Other services and charges	32,245	19,322	4,091	55,658
Maintenance and repairs	97,525	5,390	7,004	109,919
Depreciation	105,477	13,851	22,736	142,064
Total Operating Expenses	<u>292,155</u>	<u>82,087</u>	<u>33,983</u>	<u>408,225</u>
Operating Income (Loss)	<u>(102,007)</u>	<u>(14,664)</u>	<u>35,582</u>	<u>(81,089)</u>
Nonoperating Revenues (Expenses)				
Interest expense and other	(16,189)	(1,036)	(10,807)	(28,032)
Other revenue	2,304	2	-	2,306
Total Nonoperating Revenues (Expenses)	<u>(13,885)</u>	<u>(1,034)</u>	<u>(10,807)</u>	<u>(25,726)</u>
Income (Loss) Before Contributions and Transfers	(115,892)	(15,698)	24,775	(106,815)
Capital Contributions - Connection Fees/Special Assessments	-	1,193	-	1,193
Transfers In	93,520	-	-	93,520
Change in Net Position	(22,372)	(14,505)	24,775	(12,102)
Net Position, January 1	<u>431,436</u>	<u>463,763</u>	<u>113,014</u>	<u>1,008,213</u>
Net Position, December 31	<u>\$ 409,064</u>	<u>\$ 449,258</u>	<u>\$ 137,789</u>	<u>\$ 996,111</u>

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

City of Hamburg, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 188,800	\$ 66,935	\$ 69,885	\$ 325,620
Other income related to operating activities	2,304	2	-	2,306
Payments to suppliers	(139,576)	(30,038)	(11,275)	(180,889)
Payments to employees	(37,351)	(33,877)	-	(71,228)
Net Cash Provided (Used) by Operating Activities	<u>14,177</u>	<u>3,022</u>	<u>58,610</u>	<u>75,809</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	<u>93,520</u>	<u>-</u>	<u>-</u>	<u>93,520</u>
Cash Flows from Capital and Related Financing Activities				
Special assessments collected	-	5,277	-	5,277
Principal paid on bonds	(111,000)	(16,000)	(57,000)	(184,000)
Interest paid on bonds	(16,897)	(1,106)	(11,147)	(29,150)
Net Cash Used by Capital and Related Financing Activities	<u>(127,897)</u>	<u>(11,829)</u>	<u>(68,147)</u>	<u>(207,873)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,200)	(8,807)	(9,537)	(38,544)
Cash and Cash Equivalents, January 1	<u>77,915</u>	<u>312,549</u>	<u>105,341</u>	<u>495,805</u>
Cash and Cash Equivalents, December 31	<u>\$ 57,715</u>	<u>\$ 303,742</u>	<u>\$ 95,804</u>	<u>\$ 457,261</u>

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

City of Hamburg, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (102,007)	\$ (14,664)	\$ 35,582	\$ (81,089)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	2,304	2	-	2,306
Depreciation	105,477	13,851	22,736	142,064
(Increase) decrease in assets				
Accounts receivable	(1,348)	(488)	320	(1,516)
Prepaid items	(389)	(252)	-	(641)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	1,146	2,498	-	3,644
Increase (decrease) in liabilities				
Accounts payable	3,069	333	(28)	3,374
Due to other governments	(172)	-	-	(172)
Accrued salaries payable	1,124	1,537	-	2,661
Compensated absences payable	360	548	-	908
Pension liability	(4,325)	(8,375)	-	(12,700)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	8,938	8,032	-	16,970
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 14,177</u>	 <u>\$ 3,022</u>	 <u>\$ 58,610</u>	 <u>\$ 75,809</u>

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

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City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Hamburg, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the criteria above.

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. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 for goods, services, or privileges provided, 2) operating grants and contribution, 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.

Separate financial statements are provided for governmental funds and proprietary 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 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 collectable 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 Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

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, entitlement 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 City, except those required to be accounted for in another fund.

The *Capital Purchases fund* is used to account for various capital purchases by governmental departments.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system and to ensure that user charges are sufficient to pay for those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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 are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 statements of cash flows.

Cash balances from all funds except certain special revenue and debt service funds are pooled and kept in the City's checking account. The account does not earn any interest; therefore, interest is not allocated to the funds with pooled cash. The City does not have a formal investment policy.

The City may also 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.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

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

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 2023. To the extent considered necessary, the City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 land, historical treasures and collectables, property, plant, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) 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 initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. 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.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Improvements	10 to 40
Other Improvements	10 to 20
System Improvements/Infrastructure	20 to 50
Machinery and Equipment	5 to 15

Unearned Revenue

Revenue received in advance of meeting revenue recognition criteria is recorded in the governmental funds Balance Sheet as well as the Statement of Net Position. The amount reported are funds received through the American Rescue Plan Act and will be recognized when spent on eligible expenditures.

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 position 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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and Fire Relief Association (FRA) is as follows:

	GERP	FRA	Total Pension Expense
City's proportionate share	\$ 224	\$ -	\$ 224
Proportionate share of State's contribution	12	-	12
	\$ 236	\$ -	\$ 236

Compensated Absences

It is the City's policy to permit employees to accumulate one day of vacation for every 10 full weeks of employment from the date of hire to the end of the calendar year (December 31) of that year for the first year of employment. Employees are entitled to a percentage, based on years of service, of unused sick pay due to retirement or termination. Employees are entitled to accumulated vacation pay up to a maximum of 256 hours at retirement or termination. The General fund is typically used to liquidate governmental compensated absences payable.

Note 1: Summary of Significant Accounting Policies (Continued)

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. The recognition of 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 issue costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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 statement 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under 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: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional items which qualifies for reporting in this category. The items, deferred pension resources and deferred lease revenue, are reported only in the statements of net position and results from actuarial calculations and lease agreements.

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, such as prepaid items.

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 Clerk/ Treasurer.

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.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances 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 in 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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk-Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City’s department heads, with the approval of the City Clerk-Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the department level. The City did amend the budget during the year.

B. Deficit Fund Balance

As of December 31, 2023, the following fund reported a deficit fund balance:

Fund	Amount
Governmental Activities	
2018 Fire Truck	\$ <u>22,999</u>

The deficit will be funded with future reimbursement transfers from other funds.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Excess of Expenditure Over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations in the General fund by \$116,506. The excess was funded by excess revenue over budget.

Note 3: Detailed Notes on All Funds

A. 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;
- 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 \$1,584,999 and the bank balance was \$1,631,025. The bank balance was covered by federal depository insurance totaling \$500,000, and the remaining balance was covered by collateral held by the City's agent in the City's name.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Historical treasures and collectables	11,873	-	-	11,873
Total Capital Assets not Being Depreciated	<u>111,873</u>	<u>-</u>	<u>-</u>	<u>111,873</u>
Capital Assets Being Depreciated				
Buildings	406,947	-	-	406,947
Machinery and equipment	712,002	30,367	-	742,369
Vehicles	692,405	55,269	(17,121)	730,553
Infrastructure	3,425,011	-	-	3,425,011
Total Capital Assets Being Depreciated	<u>5,236,365</u>	<u>85,636</u>	<u>(17,121)</u>	<u>5,304,880</u>
Less Accumulated Depreciation for				
Buildings	(399,233)	(1,108)	-	(400,341)
Machinery and equipment	(546,256)	(30,000)	-	(576,256)
Vehicles	(326,124)	(34,909)	17,121	(343,912)
Infrastructure	(2,743,204)	(47,032)	-	(2,790,236)
Total Accumulated Depreciation	<u>(4,014,817)</u>	<u>(113,049)</u>	<u>17,121</u>	<u>(4,110,745)</u>
Total Capital Assets Being Depreciated, Net	<u>1,221,548</u>	<u>(27,413)</u>	<u>-</u>	<u>1,194,135</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,333,421</u>	<u>\$ (27,413)</u>	<u>\$ -</u>	<u>\$ 1,306,008</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 11,825
Public Safety	52,813
Public Works	34,210
Culture and Recreation	14,201
Total Depreciation Expense - Governmental Activities	<u>\$ 113,049</u>

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Capital Assets Being Depreciated				
Machinery and equipment	116,911	-	-	116,911
Infrastructure	4,920,982	-	-	4,920,982
Total Capital Assets Being Depreciated	5,037,893	-	-	5,037,893
Less Accumulated Depreciation for				
Machinery and equipment	(81,518)	(8,200)	-	(89,718)
Infrastructure	(2,364,519)	(133,864)	-	(2,498,383)
Total Accumulated Depreciation	(2,446,037)	(142,064)	-	(2,588,101)
Total Capital Assets Being Depreciated, Net	2,591,856	(142,064)	-	2,449,792
Business-type Activities Capital Assets, Net	<u>\$ 2,628,856</u>	<u>\$ (142,064)</u>	<u>\$ -</u>	<u>\$ 2,486,792</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 105,477
Sewer	13,851
Storm Water	<u>22,736</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 142,064</u>

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Transfers

During the year ended December 31, 2023 the City made the following transfers:

Fund	Transfers in				Total
	General	Capital Purchases	Nonmajor Governmental	Water Enterprise	
Transfers Out					
General	\$ -	\$ 87,481	\$ 6,000	\$ 70,000	\$ 163,481
Capital Purchases	47,767	-	-	23,520	71,287
Nonmajor governmental	24,144	-	-	-	24,144
 Total Transfer In	<u>\$ 71,911</u>	<u>\$ 87,481</u>	<u>\$ 6,000</u>	<u>\$ 93,520</u>	<u>\$ 258,912</u>

- The City budgeted \$70,000 to the Water fund and \$6,000 to the Fire Equipment nonmajor governmental fund from the General fund during the year.
- Council approved a transfer of \$24,144 from the Fire Equipment nonmajor governmental fund to the General fund for the purchase of air packs. Council budgeted a transfer of \$23,520 from the Capital Purchases fund to the Water fund.
- Council approved a transfer of \$47,767 from the Capital Purchases fund to the General fund for the purchase of a truck. Council also approve a transfer of \$87,481 from the General fund to the Capital Purchases fund for receipt of LGA funds.

D. Lease Receivable

The City has a lease with Broadband Corporation for the use of the water tower for placing personal communication service antennas, connecting cables, and appurtenances on the tower. The lease began on August 31, 2022 for an initial term of 60 months with three renewal terms of 60 months each. Broadband Corporation pays the City equal monthly installments of \$150. The purpose of the lease is to provide a location for the placement of the communication equipment while generating revenue for the City.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Broadband Cell Tower	8/31/2022	2.26 %	\$ 2,302	<u>\$ 27,294</u>

E. Long-term Debt

General Obligation (G.O.) Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water, Sewer and Storm Water funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require approximately 49, 28, and 107 percent of net revenues from the Water, Sewer and Storm Water funds, respectively. Principal and interest paid for 2023 and total customer net revenues for the Water fund were \$127,897 and \$190,148, respectively. Principal and interest paid for 2023 and total customer net revenues for the Sewer fund were \$17,106 and \$67,423, respectively. Principal and interest paid for 2023 and total customer net revenues for the Storm Water fund were \$68,147 and \$69,565, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA Water Revenue Note, 2004	\$ 950,709	2.34 %	08/20/04	08/20/24	\$ 59,000
MPFA Sewer Revenue Note, 2011	290,242	1.26	12/08/11	08/20/30	72,089
MPFA Water Revenue Note, 2019	1,382,070	1.00	10/11/19	08/20/44	1,213,000
G.O. Public Utility Revenue Refunding Bonds, Series 2019A	785,000	1.35 - 2.25	12/30/19	02/01/32	<u>610,000</u>
Total G.O. Revenue Bonds					<u>\$ 1,954,089</u>

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2024	\$ 187,000	\$ 26,221	\$ 213,221
2025	134,000	23,149	157,149
2026	135,000	21,346	156,346
2027	141,000	19,350	160,350
2028	125,089	17,198	142,287
2029 - 2033	565,000	54,804	619,804
2034 - 2038	294,000	27,520	321,520
2039 - 2043	309,000	12,520	321,520
2044	64,000	640	64,640
Total	<u>\$ 1,954,089</u>	<u>\$ 202,748</u>	<u>\$ 2,156,837</u>

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	\$ 15,000	\$ -	\$ (15,000)	\$ -	\$ -
Certificate of indebtedness	22,800	-	(22,800)	-	-
Compensated Absences Payable	<u>11,828</u>	<u>9,421</u>	<u>(8,975)</u>	<u>12,274</u>	<u>12,274</u>
Governmental Activity Long-term Liabilities	<u>\$ 49,628</u>	<u>\$ 9,421</u>	<u>\$ (46,775)</u>	<u>\$ 12,274</u>	<u>\$ 12,274</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 2,138,089	\$ -	\$ (184,000)	\$ 1,954,089	\$ 187,000
Compensated Absences Payable	<u>1,536</u>	<u>1,876</u>	<u>(968)</u>	<u>2,444</u>	<u>2,444</u>
Business-type Activity Long-term Liabilities	<u>\$ 2,139,625</u>	<u>\$ 1,876</u>	<u>\$ (184,968)</u>	<u>\$ 1,956,533</u>	<u>\$ 189,444</u>

Note 4: Defined Benefit Pension Plans - 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.

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

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

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$12,229, \$11,620 and \$12,521, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$100,654 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 \$2,700. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0018 percent at the end of the measurement period and 0.0024 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 100,654
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	2,700
	2,700
Total	\$ 103,354

For the year ended December 31, 2023, the City recognized pension expense of \$224 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$12 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.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

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

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,571	\$ 847
Changes in Actuarial Assumptions	19,988	27,588
Net Difference Between Projected and Actual Investment Earnings	1,494	-
Changes in Proportion	2,135	23,760
Contributions Paid to PERA Subsequent to the Measurement Date	7,301	-
Total	\$ 34,489	\$ 52,195

The \$7,301 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ (3,010)
2025	(26,462)
2026	6,648
2027	(2,183)
2028	-
Thereafter	-

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
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

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

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees 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.

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:

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 178,065	\$ 100,654	\$ 36,980

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.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Fire Relief Association

A. Plan Description

All members of the Hamburg Fire Department (the Department) are covered by a defined benefit plan administered by the Hamburg Fire Department Relief Association (the Association). As of December 31, 2023, the plan covered 21 active firefighters and 5 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.

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

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

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 \$14,131 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2023, which was recorded as a revenue. 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, 2023 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2023, the City reported a net pension asset of \$48,416 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2021	\$ 409,873	\$ 590,054	\$ (180,181)
Changes for the Year			
Service cost	15,595	-	15,595
Interest on pension liability (asset)	25,528	-	25,528
Actuarial experience (gains)/losses	(18,069)	-	(18,069)
Projected investment earnings	-	35,403	(35,403)
Changes in benefit level	34,142	-	34,142
Contributions (State)	-	15,329	(15,329)
Asset (gain)/loss	-	(124,365)	124,365
Administrative costs	-	(936)	936
Total Net Changes	57,196	(74,569)	131,765
Ending Balance December 31, 2022	\$ 467,069	\$ 515,485	\$ (48,416)

For the year ended December 31, 2023, the City recognized pension expense of \$-0-.

At December 31, 2023, the City reported deferred inflows of resources and deferred outflows of resources, 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	\$ -	\$ 14,456
Net Difference Between Projected and Actual Earnings on Plan Investments	99,492	-
Contributions to Plan Subsequent to the Measurement Date	15,397	-
Total	\$ 114,889	\$ 14,456

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2023	\$	21,259
2024		21,259
2025		21,259
2026		21,259

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service		
Inflation		3.00% per year
Investment Rate of Return		6.00%

There were no changes in actuarial assumptions in 2023.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 (Asset) 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 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined Benefit Plan	\$ (27,848)	\$ (48,416)	\$ (74,927)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.0 %	5.10 %
International Stocks	15.0	5.30
Bonds	45.0	0.75
Cash	5.0	-
Total	100.0 %	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2022 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of December 31, 2022, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 6: Joint Ventures

Young America Township

The City participates in a joint powers agreement with the Young America Township (the Township), which includes the rental of space at the Community Center. The agreement creates a Community Advisory Committee, composed of two members from each organization, consisting of four members. It shall be the duty of this Advisory Committee to make recommendations concerning maintenance, repair, upkeep and improvements to the Community Center. Said recommendations shall be considered by both the Township and the City; it being specifically understood that the City shall have the ultimate decision-making right and responsibility concerning maintenance, repair, upkeep and improvements. The Township shall pay to the City a portion of the maintenance costs associated with the Community Center. The agreement may be terminated mutual consent. Upon termination, the City shall refund to the Township its original principal payment of \$44,000.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 7: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2023, the City is under the legal debt margin.

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2023 was 11.5 percent. This accounted for percent of General fund revenues.

Note 8: Conduit Debt Obligations

The City issued the following conduit debt to Ridgeview Medical Center, a Minnesota nonprofit corporation located in the City of Waconia, to provide financial assistance for the expansion and remodeling of its existing hospital facilities.

- The Health Care Facilities Revenue Note, Series 2007, was issued in the amount of \$7,000,000. The note balance at December 31, 2023 was \$2,518,524.

Under each loan agreement, Ridgeview Medical Center is obligated for repayment of the notes. The City is not obligated in any manner for repayment of the note. Accordingly, the notes are not reported as liabilities in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hamburg, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2023

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
6/30/2023	0.0018 %	\$ 100,654	\$ 2,700	\$ 103,354	\$ 137,027	73.5 %	83.1 %
6/30/2022	0.0024	190,081	5,414	195,495	176,947	107.4	76.7
6/30/2021	0.0022	93,950	2,911	96,861	158,561	59.3	87.0
6/30/2020	0.0021	125,905	3,946	129,851	143,155	88.0	79.0
6/30/2019	0.0020	110,576	3,500	114,076	133,527	82.8	80.2
6/30/2018	0.0021	116,499	3,700	120,199	145,053	80.3	79.5
6/30/2017	0.0021	134,063	1,661	135,724	140,382	95.5	75.9
6/30/2016	0.0020	162,390	2,198	164,588	120,494	134.8	68.9

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)
12/31/2023	\$ 12,229	\$ 12,229	\$ -	\$ 163,055	7.50 %
12/31/2022	11,620	11,620	-	154,939	7.50
12/31/2021	12,521	12,521	-	166,948	7.50
12/31/2020	11,706	11,706	-	156,086	7.50
12/31/2019	10,919	10,919	-	145,590	7.50
12/31/2018	10,523	10,523	-	140,313	7.50
12/31/2017	10,117	10,117	-	134,893	7.50
12/31/2016	9,702	9,702	-	129,361	7.50

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

City of Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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 Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

Changes in Plan Provisions

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

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

2021 - There were 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 - No changes noted

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 Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

	Date 2022)	Date 2021)	Date 2020)	Date 2019)	Date 2018)	Date 2017)	Date 2016)	Date 2015)
Total Pension Liability								
Service cost	\$ 15,595	\$ 17,881	\$ 18,544	\$ 16,646	\$ 17,755	\$ 16,208	\$ 16,103	\$ 16,103
Interest	25,528	22,328	23,108	19,108	22,490	24,708	25,717	25,717
Changes of benefit terms				-	-	4,127	3,893	3,893
Differences between expected and actual experience	(18,069)	34,978	(34,389)	2,852	-	(4,688)	-	-
Changes in benefit level	34,142	-	-	26,149	-	-	-	-
Changes of assumptions	-	-	-	-	(4,367)	8,696	(3,848)	(3,848)
Benefit payments, including refunds of employee contributions	-	(39,155)	-	-	(62,787)	(49,000)	(97,642)	(97,642)
Net Change in Total Pension Liability	57,196	36,032	7,263	64,755	(26,909)	51	(55,777)	(55,777)
Total Pension Liability - January 1,	409,873	373,841	366,578	301,823 *	388,467	388,416	444,193	444,193
Total Pension Liability - December 31, (a)	\$ 467,069	\$ 409,873	\$ 373,841	\$ 366,578	\$ 361,558	\$ 388,467	\$ 388,416	\$ 388,416
Plan Fiduciary Net Position								
Contributions - employer	\$ 11,923	\$ 11,677		\$ -	\$ 11,185	\$ 8,817	\$ 12,843	\$ 12,843
Contributions - state	3,406	2,453	13,855	13,430	18,644	17,009	18,067	18,067
Contributions - member					11			
Net investment income	(88,962)	51,471	71,478	21,982	48,074	18,439	(9,338)	(9,338)
Other additions	-	(31)	-	-	211	-	-	-
Adjustment to initial asset transfer	-	-	-	31,503	-	-	-	-
Asset (gain)/loss	-	-	-	47,617	-	-	-	-
Benefit payments, including refunds of employee contributions	-	(39,155)	-	-	(62,787)	(49,000)	(97,642)	(97,642)
Administrative expense	(936)	(869)	(869)	(861)	(3,383)	(3,467)	(3,260)	(3,260)
Net Change in Plan Fiduciary Net Position	(74,569)	25,546	84,464	113,671	11,955	(8,202)	(79,330)	(79,330)
Plan Fiduciary Net Position - January 1,	590,054	564,508	480,044	366,374 *	451,057	459,259	538,589	538,589
Plan Fiduciary Net Position - December 31, (b)	\$ 515,485	\$ 590,054	\$ 564,508	\$ 480,045	\$ 463,012	\$ 451,057	\$ 459,259	\$ 459,259
Fire Relief's Net Pension Liability (Asset) - December 31, (a-b)	\$ (48,416)	\$ (180,181)	\$ (190,667)	\$ (113,467)	\$ (101,454)	\$ (62,590)	\$ (70,843)	\$ (70,843)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	110.37%	143.96%	151.00%	130.95%	128.06%	116.11%	118.24%	118.24%
Covered-employee 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-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Schedule:

* The relief association changed from a single-employer plan to an agent multiple-employer plan at the beginning of 2019 and restated beginning total pension liability and plan fiduciary net position.

Benefit Changes. The lump sum benefit increased from \$1,600 to \$1,800

Changes of Assumptions. The following changes in assumption occurred from the previous valuation:

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hamburg, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2023

	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	<u>Total</u>
	801	308	311	201	<u>Nonmajor</u>
	Cable	2007	2018	Fire	<u>Governmental</u>
	Television	GO Bond	Fire Truck	Equipment	<u>Funds</u>
Assets					
Cash and temporary investments	\$ 20,347	\$ 1,168	\$ (22,999)	\$ 16,626	\$ 15,142
Fund Balances					
Restricted for debt service	-	1,168	-	-	1,168
Assigned for capital outlay	20,347	-	-	16,626	36,973
Unassigned	-	-	(22,999)	-	(22,999)
Total Fund Balances	<u>\$ 20,347</u>	<u>\$ 1,168</u>	<u>\$ (22,999)</u>	<u>\$ 16,626</u>	<u>\$ 15,142</u>

City of Hamburg, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2023

	Special Revenue	Debt Service		Capital Projects	Total Nonmajor Governmental Funds
	801 Cable Television	308 2007 GO Bond	311 2018 Fire Truck	201 Fire Equipment	
Revenues					
Property taxes	\$ -	\$ 11,004	\$ 18,788	\$ -	\$ 29,792
Special assessments	-	1,150	-	-	1,150
Charges for services	1,815	-	-	-	1,815
Investment earnings	165	-	-	940	1,105
Total Revenues	<u>1,980</u>	<u>12,154</u>	<u>18,788</u>	<u>940</u>	<u>33,862</u>
Expenditures					
Current					
Culture and recreation	412	-	-	-	412
Debt service					
Principal	-	15,000	22,800	-	37,800
Interest and other charges	-	334	1,368	-	1,702
Total Expenditures	<u>412</u>	<u>15,334</u>	<u>24,168</u>	<u>-</u>	<u>39,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,568</u>	<u>(3,180)</u>	<u>(5,380)</u>	<u>940</u>	<u>(6,052)</u>
Other Financing Sources					
Transfers in	-	-	-	6,000	6,000
Transfers out	-	-	-	(24,144)	(24,144)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,144)</u>	<u>(18,144)</u>
Net Change in Fund Balances	1,568	(3,180)	(5,380)	(17,204)	(24,196)
Fund Balances, January 1	<u>18,779</u>	<u>4,348</u>	<u>(17,619)</u>	<u>33,830</u>	<u>39,338</u>
Fund Balances, December 31	<u>\$ 20,347</u>	<u>\$ 1,168</u>	<u>\$ (22,999)</u>	<u>\$ 16,626</u>	<u>\$ 15,142</u>

City of Hamburg, 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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 534,036	\$ 534,036	\$ 536,275	\$ 2,239	\$ 517,811
Licenses and permits					
Business	10,700	10,700	9,400	(1,300)	8,084
Nonbusiness	-	-	300	300	14
Total licenses and permits	<u>10,700</u>	<u>10,700</u>	<u>9,700</u>	<u>(1,000)</u>	<u>8,098</u>
Intergovernmental					
State					
Local government aid	-	-	87,481	87,481	84,365
Property tax credits	-	-	3	3	2
Police state aid	1,000	1,000	1,159	159	1,080
Public safety aid	-	-	24,812	24,812	-
Other	4,500	4,500	2,700	(1,800)	2,115
County					
Highway aid	-	-	10,000	10,000	10,276
Other	-	-	1,776	1,776	-
Total intergovernmental	<u>5,500</u>	<u>5,500</u>	<u>127,931</u>	<u>122,431</u>	<u>97,838</u>
Charges for services	<u>43,550</u>	<u>43,550</u>	<u>42,181</u>	<u>(1,369)</u>	<u>40,964</u>
Fines and forfeitures	<u>500</u>	<u>500</u>	<u>810</u>	<u>310</u>	<u>980</u>
Interest earnings	<u>1,500</u>	<u>1,500</u>	<u>2,628</u>	<u>1,128</u>	<u>1,214</u>
Miscellaneous					
Donations and contributions	1,000	1,000	22,626	21,626	8,168
Refunds and reimbursements	1,000	1,000	8,089	7,089	12,212
Other	1,000	1,000	2,541	1,541	592
Total miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>33,256</u>	<u>30,256</u>	<u>20,972</u>
Total Revenues	<u>598,786</u>	<u>598,786</u>	<u>752,781</u>	<u>153,995</u>	<u>687,877</u>

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 11,000	\$ 11,000	\$ 9,042	\$ 1,958	\$ 10,089
City clerk					
Personnel services	128,675	128,675	109,519	19,156	123,273
Supplies	3,000	3,000	2,565	435	1,502
Other services and charges	14,750	14,750	15,800	(1,050)	21,265
Total city clerk	146,425	146,425	127,884	18,541	146,040
Elections					
Other services and charges	500	500	462	38	1,907
Auditing					
Other services and charges	19,300	19,300	17,772	1,528	18,500
Assessor					
Other services and charges	4,050	4,050	4,107	(57)	3,904
Legal					
Other services and charges	30,000	30,000	26,366	3,634	44,991
Planning consultants					
Other services and charges	5,000	5,000	3,892	1,108	4,031
General government buildings					
Personnel services	24,735	24,735	20,398	4,337	18,995
Supplies	2,000	2,000	9,243	(7,243)	2,034
Other services and charges	14,680	14,680	25,064	(10,384)	20,228
Total general government buildings	41,415	41,415	54,705	(13,290)	41,257
Total general government	257,690	257,690	244,230	13,460	270,719
Public safety					
Police					
Other services and charges	25,521	25,521	23,203	2,318	19,907
Fire					
Personnel services	20,965	20,965	17,826	3,139	15,930
Supplies	6,250	6,250	9,689	(3,439)	4,184
Other services and charges	36,035	36,035	32,669	3,366	39,270
Total fire	63,250	63,250	60,184	3,066	59,384

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public safety (Continued)					
Building inspection					
Other services and charges	\$ 6,000	\$ 6,000	\$ 5,324	\$ 676	\$ 3,975
Animal control					
Other services and charges	4,500	4,500	4,275	225	4,094
Total public safety	99,271	99,271	92,986	6,285	87,360
Public works					
Streets					
Personnel services	7,750	7,750	4,370	3,380	7,170
Supplies	1,800	1,800	5,396	(3,596)	2,258
Other services and charges	3,600	3,600	3,593	7	3,669
Maintenance and repair	1,500	1,500	4,207	(2,707)	18,206
Total streets	14,650	14,650	17,566	(2,916)	31,303
Snow and ice removal					
Other services and charges	14,500	14,500	16,270	(1,770)	13,713
Street lighting					
Other services and charges	8,910	8,910	8,617	293	8,236
Sanitation					
Other services and charges	4,500	4,500	1,776	2,724	3,043
Total public works	42,560	42,560	44,229	(1,669)	56,295
Culture and recreation					
Parks					
Personnel services	24,010	24,010	20,729	3,281	20,385
Supplies	3,500	3,500	9,279	(5,779)	3,457
Other services and charges	13,200	13,200	19,849	(6,649)	35,281
Total parks	40,710	40,710	49,857	(9,147)	59,123
Hall					
Personnel services	9,100	9,100	10,976	(1,876)	11,587
Supplies	5,500	5,500	7,581	(2,081)	8,245
Other services and charges	28,355	28,355	59,952	(31,597)	14,422
Total hall	42,955	42,955	78,509	(35,554)	34,254
Total culture and recreation	83,665	83,665	128,366	(44,701)	93,377
Total current	483,186	483,186	509,811	(26,625)	507,751

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 6,900	\$ 6,900	\$ 59,957	\$ (53,057)	\$ 5,510
Public safety	26,700	26,700	55,967	(29,267)	10,969
Public works	-	-	507	(507)	136,740
Culture and recreation	6,000	6,000	13,050	(7,050)	1,991
Total capital outlay	<u>39,600</u>	<u>39,600</u>	<u>129,481</u>	<u>(89,881)</u>	<u>155,210</u>
Total Expenditures	<u>522,786</u>	<u>522,786</u>	<u>639,292</u>	<u>(116,506)</u>	<u>662,961</u>
Excess of Revenues Over Expenditures	<u>76,000</u>	<u>76,000</u>	<u>113,489</u>	<u>37,489</u>	<u>24,916</u>
Other Financing Sources (Uses)					
Insurance recovery	-	-	-	-	34,694
Transfers in	-	-	71,911	71,911	-
Transfers out	(76,000)	(76,000)	(163,481)	(87,481)	(83,500)
Sale of capital assets	-	-	7,502	7,502	-
Total Other Financing Sources (Uses)	<u>(76,000)</u>	<u>(76,000)</u>	<u>(84,068)</u>	<u>(8,068)</u>	<u>(48,806)</u>
Net Change in Fund Balances	-	-	29,421	29,421	(23,890)
Fund Balances, January 1	<u>450,778</u>	<u>450,778</u>	<u>450,778</u>	-	<u>474,668</u>
Fund Balances, December 31	<u>\$ 450,778</u>	<u>\$ 450,778</u>	<u>\$ 480,199</u>	<u>\$ 29,421</u>	<u>\$ 450,778</u>

City of Hamburg, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2023 and 2022

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Property taxes	\$ 566,067	\$ 547,611	3.37 %
Licenses and permits	9,700	8,098	19.78
Intergovernmental	127,931	97,838	30.76
Charges for services	43,996	43,316	1.57
Fines and forfeitures	810	980	(17.35)
Special assessments	1,150	1,127	2.04
Investment earnings	11,576	3,168	265.40
Miscellaneous	33,256	20,972	58.57
	<u>\$ 794,486</u>	<u>\$ 723,110</u>	9.87 %
Total Revenues	<u>\$ 794,486</u>	<u>\$ 723,110</u>	9.87 %
Per Capita	\$ 1,391	\$ 1,275	9.10 %
Expenditures			
Current			
General government	\$ 244,230	\$ 270,719	(9.78) %
Public safety	92,986	87,360	6.44
Public works	44,229	56,295	(21.43)
Culture and recreation	128,778	93,765	37.34
Capital outlay			
General government	59,957	5,510	988.15
Public safety	55,967	10,969	410.23
Public works	507	136,740	(99.63)
Culture and recreation	13,050	1,991	555.45
Debt service			
Principal	37,800	37,800	-
Interest and other charges	1,702	4,312	(60.53)
	<u>\$ 679,206</u>	<u>\$ 705,461</u>	(3.72) %
Total Expenditures	<u>\$ 679,206</u>	<u>\$ 705,461</u>	(3.72) %
Per Capita	\$ 1,190	\$ 1,244	(4.34) %
Total Long-term Indebtedness	\$ -	\$ 37,800	(100.00) %
Per Capita	-	67	(100.00)
General Fund Balance - December 31	\$ 567,680	\$ 450,778	25.93 %
Per Capita	994	795	25.03

The purpose of this report is to provide a summary of financial information concerning the City of Hamburg to
 The complete financial statements may be examined at City Hall, 181 Broadway Ave, Hamburg, MN 55339. Questions
 about this report should be directed to Jeremy Gruenhagen, Clerk/Treasurer at (952) 467-3232.

OTHER REQUIRED REPORTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Hamburg, 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, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 15, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting 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
Minneapolis, Minnesota
April 15, 2024

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 Hamburg, 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, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 15, 2024.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
Minneapolis, Minnesota
April 15, 2024



City of Hamburg, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from QuickBooks to the amounts reported in the financial statements.

Management Response:

For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Hamburg, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting.
<i>Criteria:</i>	<p>There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.</p> <p>Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover.</p>
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	<p>While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring.</p> <ul style="list-style-type: none">• We recommend that the Billing Clerk continue to review the unopened bank statement, looking for activity within cancelled checks that appears inconsistent to the checks she prepared and payroll checks.• For the deposits, we recommend that the Billing Clerk pay close attention to deposits that were made by the Clerk/Treasurer looking for inconsistencies.• The utility billings should be reviewed by someone other than the person entering and printing billing registers.• City Council should also be reminded of their duties over finance at least annually. Some typical monitoring duties would include the following tasks:<ul style="list-style-type: none">○ Claims approval is an important control and should be at the front of the meeting to ensure that the City Council reviews the claims closely.○ The check sequence should be reported in each set of approved minutes with a corresponding amount of all checks that agrees to the City Council claims listing. The City Council should review the order the checks are approved to ensure that they are in sequence and any gaps in numbers are explained.○ A thorough review of budget versus actual reporting and narrative at least quarterly.○ Monitor progress over the development of documented policies and procedures.○ Consider personnel policies that require someone else to fill finance duties for a period of time. A mandatory vacation period of one week for all finance staff and distribution of their duties for that week is often recommended.

Management Response:

The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This doesn't always allow for complete segregation. The City will continue to review its processes and make changes where possible.